Government of Alberta

BUDGET 2010

Striking the Right Balance

Fiscal Plan

Alberta

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Government of Alberta

BUDGET 2010

Striking the Right Balance

Fiscal Plan

PRESENTED BY

TED MORTON
MINISTER OF FINANCE AND ENTERPRISE

in the Legislative Assembly of Alberta
February 9, 2010

Alberta

FISCAL PLAN VOLUME

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HIGHLIGHTS

STRIKING THE RIGHT BALANCE

Budget 2010 *strikes the right balance, protecting programs and competitiveness with fiscal strength during turbulent times.*

FISCAL SUMMARY

- Revenue forecast to increase $423 million to $34 billion in 2010-11. Higher non-renewable resource and personal income tax revenue partly offset by lower investment income and corporate income tax revenue.
- Expense forecast to increase $1.5 billion to $38.7 billion in 2010-11, primarily for health care and programs for vulnerable Albertans. Significant 2010-11 capital support of $7.2 billion.
- Deficits of $4.7 billion in 2010-11 and $1.1 billion in 2011-12 forecast. Budget back in the black by 2012-13 as previously committed. Deficits offset by transfers from Alberta Sustainability Fund.

Fiscal Summary[a]
(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Revenue	35,811	31,667	33,541	**33,964**	37,302	40,239
Expense						
Operating expense	29,835	31,250	31,462	**33,211**	33,289	34,720
Capital grants	5,279	4,152	4,193	**4,406**	3,969	3,797
Other expense	1,549	979	1,510	**1,095**	1,179	1,217
Total Expense	**36,663**	**36,381**	**37,165**	**38,712**	**38,437**	**39,734**
Surplus / (deficit)	(852)	(4,714)	(3,624)	**(4,748)**	(1,135)	505
Sustainability Fund	16,822	10,359	14,983	**8,216**	4,704	2,808
Net Assets	42,721	36,474	38,494	**33,202**	31,528	31,514

[a] Does not include changes in pension liabilities or SUCH sector equity, or revenue and expense of Alberta Innovates corporations. Expense in 2010-11 and future years is net of $240 million in-year savings.

FISCAL CORRECTIONS

- *Budget 2009* committed to fiscal discipline, a surplus by 2012-13, and protection of Alberta's tax advantage and priority programs. *Budget 2010* achieves these commitments while reducing the accumulated shortall over the five-year period starting in 2008-09.
- As the revenue forecast has improved, savings found in preparing for *Budget 2010* are being re-invested in the priorities of health care and programs for vulnerable Albertans.
- *Budget 2010* strikes the right balance: fiscal discipline, competitiveness, protecting core programs, building Alberta's infrastructure. Back in the black by 2012-13.

KEY ASSUMPTIONS AND RISKS

- Global economic recovery began in 2009 and is expected to be modest in 2010. Alberta's economy is expected to grow 2.6% in 2010 and 2.9% in 2011, with rising energy demand, commodity prices, and employment and investment growth.
- Oil prices forecast to average US$78.75 per barrel and natural gas prices to average Cdn$4.25 per gigajoule (GJ) in 2010-11.
- Uncertainty remains regarding the strength of the global and US economic recovery. *Budget 2010* forecast is based on assumptions close to the average of private forecasters.

SPENDING HIGHLIGHTS

Operating expense is increasing by 5.6%, or $1.7 billion in 2010-11, including a one-time payment for Alberta Health Services and net of in-year savings of $240 million.

- Health and Wellness: 16.6% increase, mainly for Alberta Health Services' accumulated deficit, to re-set the base operating grant and provide a 6% increase.
- Education: 4.6% increase, for school board grants and enrollment growth.
- Advanced Education and Technology: 2.7% decrease, though base operating grants to post-secondary institutions remain flat.
- Seniors and Community Supports: 2.3% increase, maintaining benefit levels.
- Other Ministries: 3.9% net decrease. Funding is included for more police officers, workforce and income support programs, services for children, agriculture support, affordable housing and homeless prevention initiatives, and support for environmental and energy strategies.

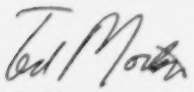
2010-13 Capital Plan supports $20.1 billion in projects, with lower construction costs and re-profiling providing fiscal flexibility while retaining commitments to all approved projects.

- Health, Schools and Post-Secondary Facilities: $4.4 billion for new, renovated or expanded facilities, and maintenance and renewal.
- Provincial Highway Network: $5.7 billion mainly for ring roads, highway improvements and rehabilitation.
- Municipal Infrastructure Support: $5.2 billion for Municipal Sustainability Initiative, transportation grants, federal programs and GreenTRIP.
- Other Capital Expense: $4.7 billion mainly for carbon capture and storage, housing, water infrastructure, community facilities, parks and other government facilities.
- Direct borrowing: $1.5 billion directly borrowed in 2009-10 to support capital projects, including an estimated $100 million in Alberta Capital Bonds. The overall three-year, $3.3 billion borrowing plan continues.

ACCOUNTABILITY STATEMENT

The government's Fiscal Plan for the three years commencing April 1, 2010 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of January 20, 2010 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.



Ted Morton
Minister of Finance and Enterprise
January 29, 2010

FISCAL PLAN 2010–13

BUDGET 2010

Striking the Right Balance

FISCAL PLAN 2010–13

BUDGET 2010

Striking the Right Balance

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FISCAL OVERVIEW

BUDGET 2010

Budget 2010 builds on the fiscally-responsible steps taken over the last year. It limits spending growth, holds the line on taxes, and focuses on protecting health care and other priority services, with a goal of being back in the black by 2012-13.

Budget 2010 *builds on the fiscally-responsible steps taken over the last year.*

In 2009-10, the government took action to help manage the recession and to position the province for a strong recovery through a four-point economic plan:

- Keeping a close eye on spending;
- Using savings set aside to protect priority programs and services;
- Continuing to build our province and investing in the future;
- Maintaining a strong presence on the world stage.

Budget 2010 builds on this plan, striking the right balance to position Alberta for the future. It supports the government's vision for Alberta:

- The strongest financial position of all provinces going into economic recovery;
- The most innovative and competitive economy in Canada;
- The best health care system in the country;
- The most advanced infrastructure in North America.

Through actions taken, Alberta's fiscal position remains strong. Paying off accumulated debt and saving billions of dollars during the good times have made it possible for Alberta to ride out these tough times without resorting to tax increases or damaging cuts to important programs, and still be back in the black, with savings remaining, by 2012-13.

Alberta's fiscal position remains strong, with the province back in the black by 2012-13.

Operating expense will increase by 5.6%, or $1.7 billion, to $33.2 billion in 2010-11, with increases focused on priority areas such as health, education and supports for seniors and the vulnerable. Significant commitment to infrastructure support continues, with $7.2 billion allocated in *Budget 2010.*

All of this will be done without raising taxes and while maintaining the lowest tax regime in Canada. If Alberta had the same tax system as other provinces, Albertans and Alberta businesses would pay the equivalent of between $2,800 and $4,950 per capita more in taxes each year.

Government's decision to stay the course through the darkest part of the recession, to avoid sudden and deep cuts to programs or tax increases as some advocated, has allowed Alberta to strike the right balance in protecting the programs Albertans value without threatening Alberta's strong fiscal position.

FISCAL OVERVIEW

The recent global turbulence has been especially pronounced.

Depressed but recovering global economic conditions, volatile financial markets and exchange rates, and evolving natural gas and heavy oil sectors, have all contributed to a fluctuating fiscal situation for the Alberta government. Though volatility is the norm, the recent global turbulence has been especially pronounced.

Surging resource prices and economic growth over the last decade, which brought significant spending pressures, dramatically reversed in late 2008, with deterioration in financial markets and the onset of the global recession. Revenue grew at an exceptional pace of about 18% a year between 2002-03 and 2005-06, peaking at $38 billion in 2006-07 and 2007-08. Revenue then tumbled 6% in 2008-09, due mainly to investment losses, and another 6% in 2009-10, to a forecast $33.5 billion, due mainly to a 50% drop in resource revenue.

This revenue decline resulted in the first deficit in 15 years for Alberta in 2008-09, and last year's budget forecast deficits for the following three years with a return to surplus in 2012-13. The dramatic swings in both revenue and spending pressures reinforce the concept of a legislated fiscal framework – to strive to provide sustainability during the upswings, and to protect spending plans from revenue downswings.

Actions by the Alberta government have served to provide a strong fiscal position.

Actions by the Alberta government, in part reflected in fiscal framework parameters, have served to provide a strong fiscal position from which Alberta has managed the global economic crisis and volatility. Accumulated debt of $23 billion was eliminated and significant savings set aside. This has allowed for a prudent, balanced government response:

- Taxes have not been, and will not be, raised.
- Spending reductions have been implemented carefully, beginning with administrative and discretionary spending, to minimize the impact on core programs and services Albertans value.
- The government has used Sustainability Fund savings to protect programs, and infrastructure investment has continued, to support jobs and position Alberta for strength as the world economy recovers.
- The government has not, and will not, borrow from future generations to fund operations.

This plan will continue. Ongoing uncertainty does require the government to be nimble – to be able to make adjustments as circumstances change, in a manner that recognizes Albertans' priorities. To continually assess and manage emerging, often unique risks, such as environmental issues or inter-jurisdictional fairness within the Canadian federation. And to report regularly and clearly to Albertans on changing circumstances.

Budget 2010 strikes the right balance in the face of uncertainty. It deals with revenue volatility, puts Alberta back in the black by 2012-13, provides a solid base for dealing with risks, and adapts plans to protect Albertans' priorities as much as possible, starting with health care and programs for the vulnerable.

The 2010-11 deficit is expected to be $4.7 billion, and a deficit of $1.1 billion is forecast for 2011-12. The commitment to be back in the black by 2012-13 remains, with a surplus of $0.5 billion forecast for that year. This is achieved with no tax increases. Revenue growth and expense adjustments found have allowed for re-investment in health and other priorities, without jeopardising the goal of a surplus in 2012-13. Over the five-year period 2008-09 – when financial market decline and onset of recession first thrust Alberta into deficit – and 2012-13, the four deficits and one surplus amount to an accumulated shortfall totalling about $9.9 billion. This is an improvement over the accumulated shortfall under the *Budget 2009* plan which, assuming the $2 billion annual fiscal correction beginning in 2010-11, was expected to be $10.2 billion. This shortfall is more than offset by the Sustainability Fund.

Budget 2010 strikes the right balance in the face of uncertainty, with significant improvements over last year's fiscal plan.

Fiscal Summary[a]
(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Revenue	35,811	31,667	33,541	33,964	37,302	40,239
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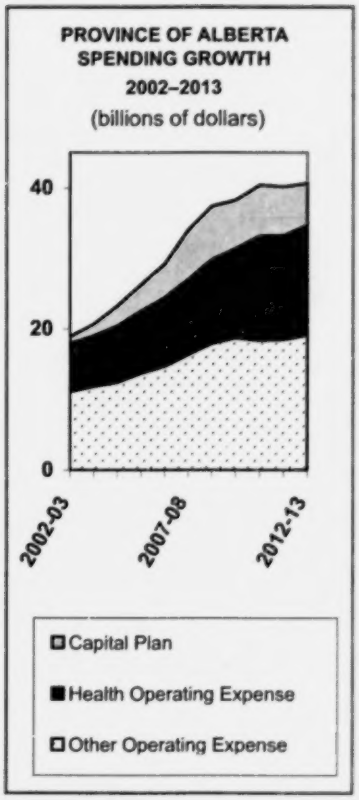
Total Expense	**36,663**	**36,381**	**37,165**	**38,712**	**38,437**	**39,734**
Surplus / (deficit)	**(852)**	**(4,714)**	**(3,624)**	**(4,748)**	**(1,135)**	**505**

[a] Does not include changes in pension liabilities or SUCH sector equity, or revenue and expense of Alberta Innovates corporations. Expense in 2010-11 and future years is net of $240 million in-year savings.

Alberta's revenue picture has been extremely volatile:

Revenue is forecast at $34 billion in 2010-11.

- In 2008-09, investment income was negative, with substantial losses from tumbling financial markets; in 2009-10, with strong market recovery, forecast Heritage Fund investment income is at a record high.
- In 2008-09, oil prices soared to almost US$150 per barrel (bbl) in the summer, only to crash down to the US$30/bbl range by December; in 2009-10, oil prices have again climbed substantially, reaching over US$80/bbl. Bitumen, or heavy oil, prices have also risen dramatically during 2009-10. Oil sands royalties are forecast to be the largest source of royalties for the first time, and this evolution in royalty revenue is expected to continue.
- In contrast, natural gas prices have been much weaker than expected, due mainly to sluggish North American demand, increased supply from US shale gas development, and the rise in the exchange rate.
- Corporate income tax revenue has also been difficult to predict: initially forecast to fall substantially with the recession, cash installment payments from corporations, typically the best indicator of tax liability, have remained unexpectedly strong.



Revenue is forecast at $34 billion in 2010-11, $0.4 billion higher than 2009-10, and is forecast to grow by an average of 8.8% per year and reach $40.2 billion by 2012-13. This is based on strengthening energy prices and a stable exchange rate, a gradual return to normal global economic growth, and healthy Alberta economic growth. This is in line with most forecasters.

Alberta's recent spending trends were largely driven by rapid population and economic growth, associated skilled labour shortages and inflation. From health care and education, to social programs and helping our municipal partners, program needs and infrastructure pressures expanded. As the global recession has hammered economies, Alberta's past actions and fiscal strength have enabled a prudent government response. Jobs have been protected through continuing, with minor adjustments, program and capital spending plans. Commitments to a competitive tax regime and not borrowing for operations have been and will be honoured.

In *Budget 2009*, following the decline in financial markets and in the midst of the economic fallout, the government laid out a plan to return to surplus by 2012-13. The plan required implementing $2 billion in fiscal corrections if the situation did not improve. The *Budget 2010* revenue forecast has improved: 2009-10 revenue is about $1.9 billion higher, 2010-11 is approximately the same, and 2011-12 and 2012-13 are about $1 billion and $1.8 billion higher, respectively, than the *Budget 2009* revenue forecast. This has mitigated the $2 billion in fiscal corrections, with the revised plan in *Budget 2010* forecasting a balanced budget in 2012-13, as previously committed.

Risks remain with global and US economic uncertainty and Alberta's revenue volatility. Facing these risks, significant savings were found in preparing for *Budget 2010*. Rather than reversing these, the government will strike a balance between managing risk through containing spending and re-investing savings found into priority areas – beginning with health care and programs for vulnerable Albertans. The government remains committed to managing spending and getting the best value for each taxpayer dollar, but now has more flexibility to protect certain areas.

The government has found approximately $1.3 billion in savings for 2010-11.

The government has found approximately $1.3 billion in savings for 2010-11, excluding Ministry of Health and Wellness operating expense, relative to planned 2010-11 expense in *Budget 2009*. This includes value review savings achieved in 2009-10, such as reduced discretionary spending, a freeze in public sector hiring and management salaries, discontinued achievement bonuses, streamlined administration and other non-core functions. 2010-11 capital grants are lower, due to reduced costs and re-profiling, though commitments to all approved projects remain firm. Nominal sum disposals of assets have been put on hold. Improved employment is expected to reduce income support costs. Numerous programs across government were evaluated, prioritised and if appropriate, resources reduced.

2010–11 Total Expense
(millions of dollars)

	Budget 2009	Budget 2010	Change
Other ministry operating	19,077	18,357	(720)
Capital grants	4,978	4,406	(572)
Amortization/nominal sum disposals	814	759	(55)
Expense excluding Health & Wellness operating	**24,869**	**23,522**	**(1,347)**
H & W operating	13,316	14,095	779
For 2009-10 AHS accumulated deficit	-	759	759
Debt servicing costs	260	336	76
Total expense	**38,445**	**38,712**	**267**
Capital Investment	2,979	2,802	(177)

The government will re-focus these savings into priority areas.

The government will re-focus these savings. A significant increase is provided to Alberta Health Services (AHS) in 2010-11, both to fund repayment of its 2009-10 accumulated deficit and to re-set its base operating grant to eliminate the annual deficit. Programs for seniors, children and post-secondary education continue to be priorities. However, the government intends to continue looking for savings. It is not only prudent, but necessary for Alberta with the current level of uncertainty. The broader public sector will likely have to participate in containing growth in spending, to achieve fiscal sustainability and avoid possible impacts on Alberta's valued programs. Remuneration is the largest component of overall expense. Upcoming salary settlements will have to be managed within budgeted expense targets.

Total operating expense is increasing from 2009-10 by $1.7 billion in 2010-11, or 5.6% to $33.2 billion. The increase is exaggerated by the one-time, $759 million payment to AHS related to its 2009-10 accumulated deficit, and the additional increase to re-set its base grant. Most other program areas are receiving decreases. Excluding the one-time payments to AHS, the increase in operating expense is lower, at 4.3%. The operating expense increase in 2009-10 from the *Budget 2009* forecast for 2008-09, was approximately 3.3%, after adjusting for the 2009-10 AHS one-time payment.

Operating expense
(millions of dollars)

	2008-09 Forecast	2009-10 Forecast	2010-11 Estimate
Operating expense (net of in-year savings)	30,118	31,462	33,211
2008-09 AHS accumulated deficit	-	(343)	-
2009-10 AHS accumulated deficit	-	-	(759)
Adjusted operating expense	**30,118**	**31,119**	**32,452**
Increase		1,001	1,333
Percentage increase		3.3%	4.3%

The 2010-13 Capital Plan supports $20.1 billion in infrastructure projects, a 13.3% decrease from last year's three-year Capital Plan, due mainly to lower costs and re-profiling of projects to assist with the fiscal situation. This includes about $1 billion of federal stimulus funding. The overall borrowing plan for capital projects has not changed, although Alberta Capital Bonds will be offered in February 2010.

Budget 2010 protects spending priorities while preserving fiscal discipline.

The *Budget 2010* fiscal plan strikes the right balance: protecting spending priorities, dealing patiently with volatility, preserving fiscal discipline. The Premier's vision positions Alberta to emerge from the recession with strength:

1. **Maintaining a strong financial position.** Fulfilling the commitment to be back in the black by 2012-13, using short-term savings set aside from past decisions to protect jobs and programs in the interim, rather than borrowing from future Albertans for today's operations. The Sustainability Fund will be replenished beginning in 2012-13, as the first plank in Alberta's savings policy.
2. **Remaining innovative and competitive.** No tax increases. Positioning Alberta to attract knowledge-based investment and skilled people, to sustain prosperity and Alberta's high quality of life. Evaluation of the competitiveness of Alberta's regulatory and fiscal regime for natural gas and conventional oil sectors, to consider how best to support these vital, transitioning sectors. Emphasis on developing an innovation-based economy, including revising and expanding Alberta's innovation framework, supporting carbon capture and storage projects, and continuing support for medical research.
3. **The best public health care system.** After a year of consolidation of the previous operations of the various health authorities, Alberta Health Services is receiving a substantial funding increase to pay off its accumulated deficit and re-set its base funding level. Annual increases of 6% for this year on the new base, 6% for the next two years, and then 4.5% for another two years, will still require system refinements and changes to reduce cost drivers related to population growth, demographics, inflation and technology. The government and Alberta Health Services will stick to this five-year funding commitment. Alberta Health Services will continue to work with health system partners, and indeed all Albertans, to make Alberta's health care system and the overall fiscal plan sustainable.
4. **Excellent infrastructure.** Continuing with significant, planned commitments, but with creativity, using alternative financing where it makes sense and allowing Albertans to choose to invest their own savings in Alberta Capital Bonds. Over the next three years, around $400 million is budgeted for infrastructure within the urban services area of Fort McMurray, in recognition of the significant and growing contribution of oil sands to Alberta.

The actual fiscal results over the next three years will depend largely on factors outside the control of the Alberta government: global and US economic recovery, energy demand, supply and prices, financial markets and interest rates, the US-Canadian dollar exchange rate and impacts of the withdrawal of global monetary and fiscal stimulus measures. A stronger global economic

recovery and higher-than-estimated energy prices could add billions of dollars to revenue. Weaker US growth, complications related to US and other sovereign debt, or a Canadian dollar appreciating significantly against the US dollar, could reduce revenue by billions of dollars.

Budget 2010 takes into account this uncertainty. It steers a middle course and strikes the right balance between spending too much and spending too little. The outlook used for major economic factors is similar to the average of other forecasters. The savings set aside in the Sustainability Fund provide risk management and protect plans. The government remains committed to taking action if necessary, and will report regularly to Albertans.

ECONOMIC ASSUMPTIONS

China and India will drive global growth in 2010.

World Economy. The world emerged from the recession in 2009 as governments enacted measures to stabilize financial markets and stimulate economies. Asia, particularly China and India, will drive growth in 2010. Global growth in 2010 is forecast at 3%, with medium-term growth expected to be 4.5%, close to the pre-recession average.

United States. The US began to emerge from recession during the third quarter of 2009. The recovery remains shaky with sluggish housing and labour markets. While the US stimulus package helped to stabilize financial markets and boost demand, there is a risk that the recovery will stall when the effects of the stimulus package fade. There are also concerns about rising US government debt and the potential for higher interest rates. Growth in 2010 is forecast at 2.5%, a relatively weak recovery by historical standards.

Canada. Canada also emerged from the recession in the third quarter of 2009. Domestic market fundamentals in Canada appear to be more solid than those in the US, with a stable financial sector and improving employment prospects. However, reliance on still-sluggish US markets, combined with the high Canadian dollar, are expected to restrain exports, limiting potential growth to 2.5% in 2010.

Exchange and Interest Rate Assumptions

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Exchange rate (US¢/Cdn$)	89.6	91.7	95.0	95.0	95.0
Interest rate (3-month)	1.74	0.25	1.30	3.30	4.00
Interest rate (10-year)	3.40	3.45	4.05	4.70	5.00

The global economy will support growth in the Alberta economy, forecast at 2.6% in 2010.

Alberta. The economy is forecast to grow 2.6% in 2010, as Alberta emerges from its first recession since 1986. The global recovery, led by developing Asia, is expected to support higher oil prices and renewed oil sands investment, though weak natural gas prices will restrain investment in the conventional energy sector. Rising corporate profits and stronger economic growth will provide a boost to employment, with an increase of 15,000 in 2010 average

employment. Strengthening exports and business investment, and increasing employment, incomes and consumer spending are forecast to boost annual economic growth to around 3% from 2011 to 2013.

Alberta Economic Assumptions
(% change)

	2009 Actual	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
Nominal economic growth (est)	(17.5)	7.9	7.6	6.6	6.6
Real economic growth (est)	(2.5)	2.6	2.9	3.0	3.1
Employment	(1.3)	0.8	2.0	2.0	1.7
Population	2.6	1.5	1.7	1.7	1.7
Alberta CPI	(0.1)	2.0	2.1	2.1	2.1

REVENUE ASSUMPTIONS

Revenue is expected to increase as the economic recovery strengthens.

Based on these economic assumptions, total revenue is expected to increase $423 million from 2009-10 to $34 billion in 2010-11. The increase in revenue follows a $2.3 billion revenue decline in 2009-10 from 2008-09, due primarily to a $5.9 billion fall in non-renewable resource revenue, partially offset by a strong reversal in investment income - from a loss of $1.9 billion in 2008-09 to a record $3.5 billion in 2009-10. In 2011-12 and 2012-13, revenue is forecast to continue to grow to $37.3 billion and $40.2 billion, respectively, as the economic recovery strengthens.

Total Revenue
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Personal income tax	8,708	7,933	8,648	9,267	10,067
Corporate income tax	4,252	3,300	3,113	3,793	4,442
Other tax revenue	3,641	3,674	3,792	3,911	4,022
Non-renewable resource revenue	11,915	6,012	7,315	9,344	10,358
Federal transfers	4,185	4,970	5,090	4,715	4,726
Investment income	(1,917)	3,454	1,947	1,959	2,089
Other own-source revenue	5,027	4,198	4,059	4,313	4,535
Total Revenue	**35,811**	**33,541**	**33,964**	**37,302**	**40,239**

The recovery of the global economy is expected to strengthen energy prices and energy revenue.

Non-renewable resource revenue fell $5.9 billion in 2009-10 as the global recession caused significant drops in demand for, and prices of oil and natural gas. Rising shale gas supplies in the United States weakened natural gas prices, which reached a low of Cdn$2.48 per gigajoule (GJ) in September 2009. The recovery of the global economy, and rising demand from China and India, are expected to strengthen energy prices and result in energy revenue increasing to $7.3 billion in 2010-11.

Oil prices are expected to increase 12.6% in 2010-11, to an average of US$78.75 per barrel (bbl), and then increase to US$83.50/bbl in 2011-12. With an improved North American economy, natural gas prices are forecast to recover in 2010-11, to Cdn$4.25/GJ, an increase of 25%. Prices are forecast to continue to rise, to Cdn$5.25/GJ in 2011-12, though higher production from US shale gas development will continue to dampen increases. There continues to be considerable uncertainty about the outlook for energy prices. For 2010-11, private forecasts range from US$66.25/bbl to US$95.00/bbl for oil and from Cdn$3.17/GJ to Cdn$5.47/GJ for natural gas.

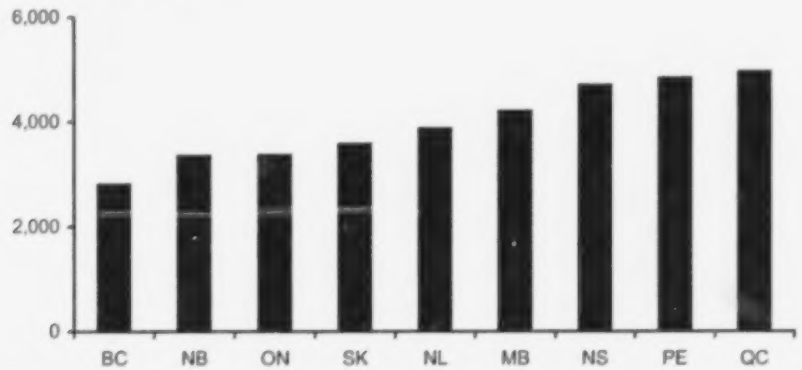
Energy Prices

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Oil (US$/bbl)	85.94	69.95	78.75	83.50	89.50
Bitumen (Cdn$/bbl)	61.54	49.36	56.38	59.79	64.07
Natural gas (Cdn$/GJ)	6.97	3.40	4.25	5.25	5.50

Tax revenue is forecast at $14.9 billion in 2009-10, a decline of $1.7 billion from 2008-09, as the recession caused a large drop in corporate income tax revenue and limited base personal income tax revenue growth. Tax revenue is expected to increase to $15.6 billion in 2010-11 as the economy begins to recover. Most taxes are expected to generate more revenue in 2010-11. However, the recession will continue to affect the forecast for corporate income tax revenue in 2010-11 due to loss carry-forwards. Total tax revenue is forecast to rise to $17 billion in 2011-12. Albertans and Alberta businesses continue to pay, by far, the lowest overall taxes in Canada. If Alberta had the same tax system as other provinces, Albertans and Alberta businesses would pay the equivalent of between $2,800 and $4,950 per capita more in taxes each year.

Albertans and Alberta businesses continue to pay, by far, the lowest overall taxes in Canada.

Alberta Tax Advantage[a]
(dollars per capita)



[a] This chart represents, on a per capita basis, the additional provincial taxes that individuals and businesses would pay if Alberta had the same tax structure as other provinces.

The recovery of world equity markets resulted in a reversal in Heritage Fund and endowment fund income.

Investment income is forecast at $3.5 billion in 2009-10, the most Alberta has ever earned. The recovery of world equity markets resulted in a reversal in Heritage Fund and endowment fund income - from losses of $3 billion in 2008-09 to realised income of $2.5 billion forecast in 2009-10. The exceptional gains realised in 2009-10, from assets rebounding from the declines of the 2008-09 financial market collapse, are not forecast to be repeated in 2010-11. Combined with lower balances in the Sustainability Fund and other accounts, this results in a $1.5 billion decrease in investment income, to $1.9 billion in 2010-11. Investment income is forecast at essentially the same level in 2011-12.

Other revenue is forecast at $9.1 billion in 2010-11, nearly the same as 2009-10. Increases in federal transfers and premiums, fees and licences are offset by decreases in net income from commercial operations and miscellaneous revenue. Other revenue is forecast to remain roughly the same in 2011-12.

SPENDING

Total expense is forecast to increase by $1.5 billion, or 4.2%, to $38.7 billion in 2010-11. Operating expense is increasing $1.7 billion to $33.2 billion, with reductions across most ministries offset by a substantial increase for Health and Wellness. Capital spending (capital grants included in expense plus capital investment) is increasing $369 million, to $7.2 billion. These increases from 2009-10 are partly offset by a reduction of $577 million in disaster/emergency expense, with nothing budgeted in 2010-11.

Expense
(millions of dollars)

	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target	3 Year Change
Operating expense	31,462	33,211	33,289	34,720	3,258
Capital grants[a]	4,193	4,406	3,969	3,797	(396)
Disaster/emergency	577	-	-	-	(577)
Amortization[b]	710	759	792	809	99
Debt servicing costs	223	336	387	408	185
Total expense	**37,165**	**38,712**	**38,437**	**39,734**	**2,569**
Percentage increase[c]					
Operating expense	5.5	5.6	0.2	4.3	10.4
Total expense	**1.4**	**4.2**	**(0.7)**	**3.4**	**6.9**
Population plus inflation[d]	2.5	3.5	3.8	3.8	11.5
Capital investment[e]	2,646	2,802	2,940	2,161	(485)

[a] Includes support for provincial capital planning, accommodation, provincial highway systems work and government facilities preservation expense. Does not include capital investment in government-owned capital assets.

[b] Includes amortization, consumption of inventories and nominal sum disposals.

[c] 2010-11 percentage increase is from *2009-10 Third Quarter Fiscal Update*.

[d] Calendar year, with mid-year population estimates.

[e] Capital investment in government-owned assets is not reported in expense. Capital Plan spending equals capital investment plus capital grants.

OPERATING EXPENSE

In 2010-11, total operating expense is estimated at $33.2 billion, an increase of $1.7 billion, or 5.6%. This represents funding for programs and services. Subject to in-year savings, operating expense remains relatively flat in 2011-12, and increases by about $1.4 billion in 2012-13.

Operating expense is increasing $1.7 billion with reductions achieved across most ministries offset by a substantial increase for Health and Wellness.

2010–11 Operating Expense[a]

	2010-11 Estimate		Increase from 2009-10	
	$ millions	%	$ millions	%
Health and Wellness	14,854	44.4	2,117	16.6
Education	5,564	16.6	247	4.6
Advanced Education and Technology	2,643	7.9	(73)	(2.7)
Seniors and Community Supports	1,944	5.8	44	2.3
Other ministries	8,446	25.2	(346)	(3.9)
Total Ministry Operating Expense	**33,451**	**100**	**1,989**	
In-year savings	(240)		(240)	
Total Operating Expense	**33,211**		**1,749**	**5.6**

[a] Excludes debt servicing costs, capital grants, disaster/emergency assistance, amortization, consumption of inventories and nominal sum disposals.

In 2010-11, subject to in-year savings:

- **Health and Wellness** operating expense is increasing 16.6% or $2.1 billion. This primarily reflects a $1.7 billion increase for Alberta Health Services (AHS). Under a new five-year funding commitment, government is providing funds to deal with the AHS 2009-10 accumulated deficit, reset the 2010-11 AHS base operating grant to eliminate the annual deficit permanently, and provide a 6% increase for 2010-11 and the next two years, followed by a 4.5% increase for the subsequent two years. Government and AHS will stick to this commitment. Other increases include $253 million for physician compensation and development, and $124 million for prescription drug assistance, and all other health benefits and services.

Under a new five-year funding commitment, government is providing funds to deal with the AHS accumulated deficit and to re-set AHS operating base.

- **Education** operating expense is rising 4.6%, or $247 million, almost entirely due to a 4.8% increase in total operating and property tax support to school boards. This provides for the announced grant rate increases for the remainder of the 2009-10 school year, projected provincial enrollment growth of 0.76% for the 2010-11 school year, and growth in the numbers of English as a Second Language students and Early Childhood Services children with disabilities.
- **Advanced Education and Technology** operating expense is decreasing by 2.7%, or $73 million. Base operating grants for most post-secondary institutions remain at 2009-10 levels, though some will be adjusted based on enrollment and program costs. Student loans are increasing, with a focus on those with greatest need, while a number of student assistance grant programs are eliminated. Funding for various research, innovation and technology commercialization initiatives is being reduced by $35 million, or 13% in 2010-11. The four new Alberta Innovates corporations are receiving $188 million in operating support.

- **Seniors and Community Supports** operating expense is increasing 2.3%, or $44 million, maintaining benefit levels in various programs, including Assured Income for the Severely Handicapped, Persons with Developmental Disabilities and the Alberta Seniors Benefit.

Reductions are targeted to minimize the impact on programs affecting vulnerable Albertans.

Other program areas will experience an overall operating decrease of 3.9%, or $346 million in 2010-11, subject to in-year savings. Reductions are targeted to minimize the impact on programs affecting vulnerable Albertans and for key initiatives. Highlights include:

- **Safe Communities.** $148 million, including funding to add 100 police officers, fulfilling the 2008-09 commitment to add 300 new officers, and enhance addiction and treatment programs.
- **Income Supports and Health Benefits.** $450 million for Income Supports, $41 million less than 2009-10, as recovering economic conditions will reduce demand and clients progress to training programs or find employment. Health Benefits, budgeted at $132 million, are $6 million lower than 2009-10, with fewer income support clients expected.
- **Agriculture Support.** $1.1 billion for agriculture support, including $741 million through Agriculture Financial Services Corporation programs

2010–11 Operating Expense[a]

(millions of dollars)

	2009-10 Forecast	2010-11 Estimate	Change from 2009-10 Forecast $	Change from 2009-10 Forecast %	Main Reasons for Change
Legislative Assembly	91	93	2	2.2	Elections preparation
Aboriginal Relations	149	153	4	2.7	First Nations Development Fund
Advanced Education and Technology	2,716	2,643	(73)	(2.7)	Various program reductions; ARC/iCORE dissolution
Agriculture and Rural Development	1,087	1,011	(76)	(7.0)	Lower income support and insurance costs
Children and Youth Services	1,123	1,087	(36)	(3.2)	Intervention services and child care
Culture and Community Spirit	232	197	(35)	(15.1)	Grant programs
Education	5,317	5,564	247	4.6	Support to school boards
Employment and Immigration	1,184	1,097	(87)	(7.3)	Income supports, employment and training, immigration
Energy	381	336	(45)	(11.8)	Reduction in bioenergy, expiry of one-time well reclamation grant
Environment	206	192	(14)	(6.8)	Various program reductions
Executive Council	35	32	(3)	(8.6)	Branding initiative
Finance and Enterprise	992	1,071	79	8.0	Teachers' Pension Plan/various program reductions
Health and Wellness	12,737	14,854	2,117	16.6	Funding for Alberta Health Services
Housing and Urban Affairs	236	233	(3)	(1.3)	Rent Supplements
Infrastructure	414	399	(15)	(3.6)	Various program reductions
International and Intergovernmental Relations	26	24	(2)	(7.7)	Support for international relations
Justice	459	471	12	2.6	Continued implementation of Safe Communities
Municipal Affairs	233	200	(33)	(14.2)	Municipal grant programs
Seniors and Community Supports	1,900	1,944	44	2.3	AISH, Alberta Seniors Benefit caseload growth
Service Alberta	270	228	(42)	(15.6)	Procurement reengineering/standardization of various ministry supports
Solicitor General and Public Security	623	638	15	2.4	Hiring 100 additional frontline police officers/dedicated revenue increases
Sustainable Resource Development	321	290	(31)	(9.7)	Various program reductions
Tourism, Parks and Recreation	169	156	(13)	(7.7)	Parks programs
Transportation	485	494	9	1.9	Provincial highway maintenance
Treasury Board	76	44	(32)	(42.1)	One-time separation payments in 2009-10/various program reductions
In-year savings	-	(240)	(240)	-	Anticipated in-year savings
Total Operating Expense	31,462	33,211	1,749	5.6	

[a] Excludes capital grants and other capital support, disaster/emergency assistance, natural gas rebates, amortization of capital assets, consumption of inventories and non..nal sum disposals.

and $49 million in two federal-provincial cost-shared programs, AgriFlex and Growing Forward, to support industry competitiveness.

- **Homeless Support and Affordable Housing.** $83 million is provided for about 3,600 spaces in emergency/transitional shelters and to assist 1,300 homeless Albertans through outreach services. $128 million is allocated for housing programs, including rental assistance, for about 80,000 low-income Albertans. These are in addition to significant capital funding.
- **Energy and Environment.** About $100 million for various initiatives directed to environmentally-sustainable resource development, including the Land-use Framework, renewable energy and biofuel projects, reclamation of orphan wells, and energy efficiency and conservation programs.
- **In-year savings.** The government has been reviewing programs for several years to improve the efficiency and effectiveness of program delivery. *Budget 2009* set a specific target of $215 million for 2009-10, subsequently doubled to $430 million, for "value review savings," which were reported in the *2009-10 Second Quarter Fiscal Update*. The intent was to find savings while minimizing impact on programs. *Budget 2010* also includes a specific target, $240 million in 2010-11, for in-year savings, currently displayed as operating savings.

  Some savings are expected to come from six process re-engineering initiatives commenced in 2009. Re-engineering involves redesigning business processes and generating improvements in quality of service and cost savings. The six initiatives underway include review of government accommodation needs, municipal grant programs, internal financial systems, procurement, delivery of social-based assistance programs and energy regulation.

CAPITAL SPENDING

The 2010-13 Capital Plan supports $20.1 billion in projects, a decrease of 13%, or $3.1 billion, from the 2009-12 Capital Plan published in *Budget 2009*. Commitments to approved projects remain firm, although total support being provided over the next three years is lower. Reduced construction costs have decreased the amount of support required, and there has been some re-profiling of projects to contribute to moving Alberta back into the black by 2012-13.

Significant capital support continues – for roads, schools, hospitals and other public infrastructure.

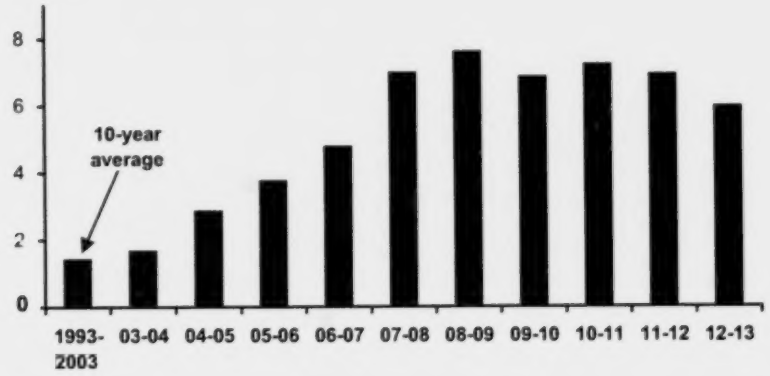
Significant capital support continues - for roads, schools, hospitals and other public infrastructure. The 2010-11 Capital Plan is budgeted at $7.2 billion, $369 million higher than in 2009-10.

Comparison of 2009–12 and 2010–13 Capital Plans
(millions of dollars)

	2009-12 Budget 2009	2010-13 Budget 2010	Change
Health, schools, post-secondary facilities	5,844	4,446	(1,398)
Provincial highway network	5,806	5,693	(113)
Municipal infrastructure support	5,618	5,250	(368)
Other projects	5,886	4,686	(1,200)
Total Capital Plan	**23,154**	**20,075**	**(3,079)**

- **Health, Schools, and Post-Secondary Facilities** – $4.4 billion over the next three years:
  - Health: $2.5 billion for new, renovated or expanded facilities, maintenance and renewal, equipment and information systems;
  - Schools: $985 million for new schools, modernization projects and maintenance and renewal;
  - Post-secondary: $974 million for new, renovated or expanded facilities, and maintenance and renewal.
- **Provincial Highway Network** – $5.7 billion over the next three years:
  - Continue construction of Edmonton and Calgary ring roads;
  - Continue improvements to Highway 63, including within Fort McMurray;
  - Paving and rehabilitation work across the province.
- **Municipal Infrastructure Support** – $5.2 billion over the next three years:
  - $2.5 billion under the Municipal Sustainability Initiative for core infrastructure such as roads, bridges and public transit;
  - $1.1 billion in transportation grants;
  - $1.1 billion through the federal Gas Tax Fund, and various federal stimulus funding programs;
  - $470 million for GreenTRIP.
- **Other Capital Expense** – $4.7 billion over the next three years:
  - **Environment Projects.** $818 million for carbon capture and storage, Climate Change and Emissions Management Fund, and Canada ecoTrust for Clean Air and Climate Change.
  - **Housing.** $799 million for affordable housing and supportive living units, implementing Alberta's 10-year plan to end homelessness and Fort McMurray land development.
  - **Water and Wastewater Projects.** $709 million for municipal and regional water and wastewater projects, irrigation rehabilitation and other water infrastructure.
  - **Community Facilities.** $331 million for community facilities, including the Community Facility Enhancement Program, the Royal Alberta Museum project, the Mount Royal Conservatory of Music and ongoing maintenance and upgrades to provincial parks, museums and historic sites.
  - **Other Projects.** $2 billion, including replacement of the Edmonton Remand Centre, retrofitting the Federal Building and creation of Centennial Plaza, information management and technology, new emergency responder system, adding new child care spaces and maintenance and renewal of government facilities.

Capital Plan Support from 1993–94 to 2012–13
(billions of dollars)



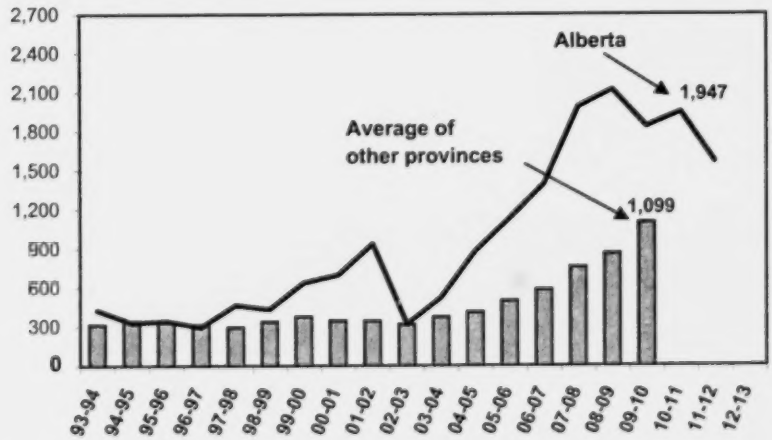
ALBERTA'S COMMITMENT TO CAPITAL

While Alberta's capital support has decreased, it continues to be far above previous levels. Capital support averaged $4.9 billion from 2003-04 to 2009-10; for 2010-13 it will average $6.7 billion. In 2010-11, capital support is $7.2 billion.

Alberta's per capita infrastructure support is about 75% higher than the per capita average of other provinces. Other provinces' average spending has been about $1,099 per capita, while Alberta is providing $1,947 per person in 2010-11.

Alberta's per capita infrastructure support is about 75% higher than the per capita average of other provinces.

Interprovincial Comparison of Capital Expenditure
(dollars per capita)



Source: Dominion Bond Rating Service Limited, "The 2009 Canadian Federal and Provincial Governments Overview: Restoring Fiscal Balance," December 2009. Alberta data for 2009-13 has been updated by Alberta Finance and Enterprise.

PROVINCIAL BORROWING

Taking advantage of low interest rates, the government has accelerated the direct borrowing plan.

In *Budget 2009*, the government announced plans to directly borrow $3.3 billion over three years for capital projects. This is in addition to another form of alternative financing being employed by the Alberta government, Public-Private Partnerships (P3s). Taking advantage of low interest rates, the government has accelerated the direct borrowing plan, with a forecast of $1.5 billion being undertaken in 2009-10. Borrowing for capital projects permits retaining a higher balance in the Sustainability Fund, providing enhanced fiscal flexibility over the medium term.

Included in the $1.5 billion in 2009-10 borrowing is an estimated $100 million for Alberta Capital Bonds. These allow Albertans, and only Albertans, to directly support Alberta capital projects – specifically facilities for seniors. The Bonds will be available for purchase in February 2010.

CHANGES TO FINANCIAL REPORTING

Currently there are two presentations of Alberta government fiscal information: the budget, or fiscal plan presentation, guided in part by the *Fiscal Responsibility Act*, and the annual year-end audited financial statements presented in the *Government of Alberta Annual Report*, governed by accounting standards set by Canada's Public Sector Accounting Board. Until 2005-06, the only major distinction was the exclusion of the annual change in pension liabilities from the budget presentation.

Cash payments made to pension plans on behalf of current employees and to fund the liabilities are included in annual expense in both presentations. The annual change in pension liabilities has been excluded since 1993-94 for fiscal policy purposes since a separate legislated plan was developed to deal with the liability over an extended period – by 2060. The annual change in the liabilities is a non-cash requirement, and represents the increase in the estimated shortfall between pension plan income and potential future pension benefits. Pension liabilities are calculated and reported in the government's audited statements.

In 2005-06, accounting standards required inclusion of the SUCH sector (schools, universities, colleges and hospitals) in financial statements on a single-line, modified equity basis, if it was determined that these organizations are in fact controlled by the government, and therefore form part of financial reporting for financial statement purposes. This meant using these entities' year-end results, based on their own accounting methods, and including their net income as a single line in "Revenue." The inclusion of the SUCH sector has become a second major distinction between the budget presentation basis and that of audited financial statements.

Beginning in 2009-10, the SUCH sector is required to be reported on a line-by-line consolidated basis for financial statement purposes. Their revenue, expense, assets and liabilities will have to be converted to government accounting methods and then reported individually as part of the government's revenue, expense, assets and liabilities. The grants provided to the approximately 100 SUCH sector entities are included in government expense for budget purposes, but once these grants are provided, there are

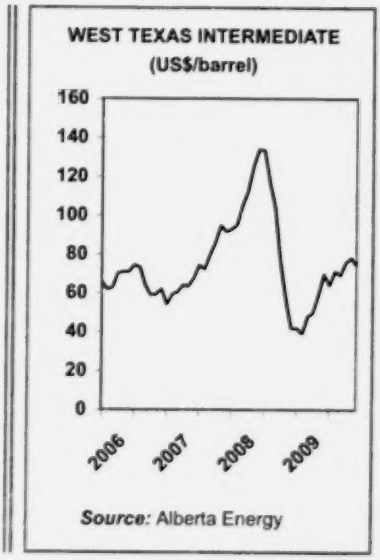
varying degrees of autonomy over budget decisions exercised by the individual school boards, universities, colleges and health authorities. These entities are empowered to raise revenue in a variety of ways, and to manage their own budgets, and capital, financial and other assets and liabilities. Reporting the grants is considered the most appropriate approach for budget reporting. The SUCH sector will be included on a line-by-line basis in Alberta's 2009-10 audited year-end financial statements, meeting current accounting standards.

As of January 1, 2010, the four new Alberta Innovates corporations were created. The legislation that created these new entities (and dissolved ARC and iCORE), also excluded them from the government's reporting entity for budget purposes. The intent is to better enable funding for long-term research projects, since annual funding for these projects can vary from year to year, is difficult to predict, and timing of the grants is optimally up to the research recipient, depending on a number of factors such as the status of the research. Budgeting processes could limit flexibility in a manner which could impede research. Under accounting standards, the revenue, expense, assets and liabilities of these entities will be reported in the government's year-end financial statements.

RISKS

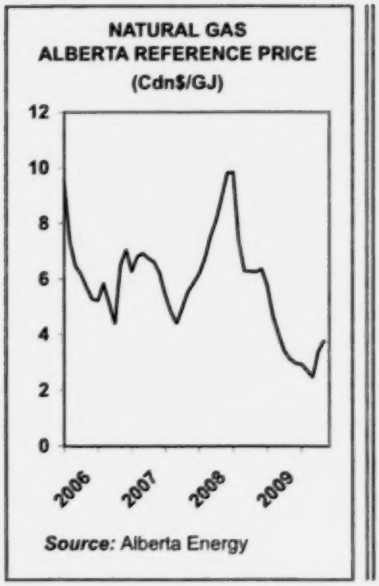
Alberta relies heavily on revenue sources that can be very volatile, including oil and natural gas royalties, investment income and corporate income tax. These amounted to about 55% of total revenue in 2005-06, for example. This revenue is linked to unpredictable factors, such as energy prices, equity markets and exchange rates, which have fluctuated dramatically in recent years:

- **Oil prices** reached highs of US$147/bbl in July 2008, before dropping rapidly to the US$30/bbl range in December 2008. Prices recovered in 2009-10 and are forecast to average US$78.75/bbl in 2010-11.
- **Natural gas prices** have fluctuated by over Cdn$7/GJ since 2008. The Alberta Reference Price (ARP) reached a high of Cdn$9.84/GJ in July 2008 and then fell steadily for much of 2009, reaching a low of Cdn$2.48/GJ in September 2009. The ARP is forecast to average Cdn$4.25/GJ for 2010-11.
- **The Canadian dollar** fluctuated significantly against the US dollar, reaching highs of over $1 in late 2007 and early 2008, falling to below 78 cents in March 2009, and then rising again, to around 96 cents by the end of 2009. In 2010-11, the exchange rate is forecast at 95 cents.
- **Equity markets** rebounded in 2009 after experiencing large declines in 2008 and early 2009. Canada's S&P TSX values dropped almost 50% from May 2008 to March 2009, but have since recovered over half of the losses.



These gyrations, never fully discernable when budget revenue forecasts are prepared (either internally by the government or by external forecasters), have been especially significant in recent years. Large deviations from budgeted revenue have resulted.

While forecast revenue for 2009-10 is only about 6% different from the original budget estimate, there have been large differences from budget estimates in individual revenue sources. Natural gas royalties have decreased 53% from budget, while corporate income tax, oil royalties and Heritage Fund



income have increased by 35%, 63%, and 176%, respectively, from budget. The degree of revenue uncertainty places the Alberta government in a unique position relative to other governments. Like energy companies, banks and other investors, Alberta must assess the degree of risk it is willing to take associated with its revenue outlook and spending decisions.

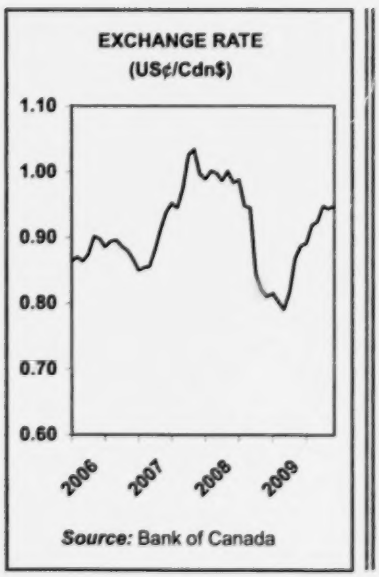
The recent higher level of uncertainty is tied to US and global economic performance, financial markets, and environmental and technology developments. Revenue in 2010-11 could be as much as 20–25% higher or lower than estimated, depending on variations in energy prices, exchange rates, economic growth or equity markets.

GLOBAL ECONOMY

- *Budget 2010* assumes moderate global economic recovery in 2010, and Canadian economic growth of 2.5%. However, the pace and extent of the recovery are uncertain, as governments withdraw temporary monetary and fiscal stimulus measures implemented to stabilize financial markets and economies in 2009.
- A stalled economic recovery would negatively affect Alberta's revenue through reduced equity market returns and energy prices. A more rapid global recovery would have a positive impact.

ALBERTA ECONOMY

- *Budget 2010* assumes Alberta's economy will grow by 2.6% in 2010, mainly due to higher investment, employment and income growth.
- Global economic growth is expected to increase demand and boost commodity prices. Continued export growth, higher business investment and consumer spending are forecast to sustain Alberta's recovery, leading to economic growth of 2.9% in 2011.



ENERGY PRICES

- Oil prices are closely linked to global economic conditions. As the timing and strength of the global recovery remains unclear, assessing what the price of oil will be over the next three years is difficult.
- Rising US production of shale gas has dramatically altered the outlook for natural gas. Technological developments could facilitate even greater US shale gas production, depressing prices further.

EXCHANGE RATE

- A stronger-than-expected Canadian dollar could negatively affect exports and economic growth. A higher dollar also reduces the net revenue of energy producers, which could dampen energy investment, and lowers government resource revenue as energy prices and contracts are mainly priced in US dollars.

INTEREST RATES

- Interest rates are expected to rise as economies recover from the recession, though the timing and extent of the increase is uncertain. An increase in interest rates reduces government revenue. While short-term investments benefit, higher rates cause an immediate reduction in the market value of bonds held in endowment portfolios.
- Large rate increases could also hurt business investment, thereby reducing economic activity and lowering revenue from royalties and income taxes.
- Government borrowing for capital projects adds risk, as higher future interest rates would make any necessary refinancing of debt more expensive.

INVESTMENT INCOME

- Alberta has significant financial assets invested globally in a variety of asset classes. Changes in global economic conditions, financial markets, interest rates, exchange rates and other factors affect the return on these investments.
- The forecast is based on long-run expected rates of return. Annual market performance is likely to vary considerably from the average, such that investment income could be much greater or lower than forecast.
- The increased use of derivatives, which are settled on a regular basis, means that changes in equity markets have a more immediate impact on realized investment income.

CORPORATE INCOME TAX

- Corporate profits are expected to increase as the economy moves out of recession. However, reported increases in corporate profits do not necessarily correspond to increases in corporate income tax. Taxable income can differ as corporations utilize discretionary tax deductions such as depreciation, and losses from previous years.

SUSTAINABILITY FUND

- The Alberta government has set aside significant assets in the Sustainability Fund, forecast at $15 billion at March 31, 2010, for risk management. These funds are available to protect spending plans from revenue declines. The Fund will be used to offset deficits forecast for 2010-11 and 2011-12.

Sensitivities to Fiscal Year Assumptions, 2010–11[a]
(millions of dollars)

	Change	Net Impact (2010-11)
Oil Price (WTI US$/bbl)	-$1.00	-186
Natural Gas Price (Cdn$/GJ)	-10 cents	-93
Exchange Rate (US¢/Cdn$)	+1 cent	-215
Interest Rates	+1%	-141
Equity Market Returns	-1%	-74
Personal Income	-1%	-127

[a] Sensitivities are based on current assumptions of prices, rates and production levels and show the effect for a 12 month period. Sensitivities can vary significantly at different price and rate levels.

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SPENDING PLAN

BUDGET 2010
Striking the Right Balance

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BUDGET 2010 SPENDING PLAN

HIGHLIGHTS

- Including one-time funding to eliminate Alberta Health Services' accumulated deficit, program expense for Health and Wellness will be $15 billion in 2010-11.
- Nearly $6.1 billion in program expense will be provided for Education and over $3.2 billion for Advanced Education and Technology in 2010-11.
- Benefits to the most vulnerable Albertans are maintained in 2010-11, with over $733 million for the Assured Income for the Severely Handicapped Program and $597 million for Persons with Developmental Disabilities.
- A three-year, $20.1 billion Capital Plan continues the significant investment in infrastructure to help Alberta prepare for the next phase of growth.

The *Budget 2010* spending plan reflects the government's commitment to address the five priorities of the strategic business plan:

- **A Healthy Approach** – Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery.
- **Creating Opportunity** – Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run competitiveness and sustainability of Alberta's economy.
- **Strong Communities** – Promote strong and vibrant communities and reduce crime so Albertans feel safe.
- **Building Tomorrow** – Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population.
- **Resourceful. Responsible** – Ensure Alberta's energy resources are developed in an environmentally sustainable way.

The Budget 2010 Spending Plan supports the government's five priorities.

PRIORITY: *Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery*

Key initiatives in *Budget 2010* that address this priority include:

- Alberta Health Services' accumulated deficit will be eliminated.
- The base operating grant for Alberta Health Services has been adjusted upward to reflect current service levels. From this new base, grant increases of 6% per year for the next three years are planned.
- Under the *Alberta Pharmaceutical Strategy*, drug coverage for seniors has been redesigned. When it is implemented on July 1, 2010, it will lower or completely eliminate prescription drug costs for about 60% of seniors.

MINISTRY OF HEALTH AND WELLNESS

$15 billion in program expense for Health and Wellness in 2010-11.

Health and Wellness program expense is budgeted at $15 billion in 2010-11. This includes:

- $14.1 billion in ongoing operating expense, an increase of $1.7 billion or 13.7% from the 2009-10 forecast;
- $759 million one-time provision to eliminate Alberta Health Services' accumulated deficit; and
- $176 million in capital grants, amortization and consumption of vaccines.

In addition, over $627 million is budgeted in the Ministry of Infrastructure for health capital facilities.

Alberta Health Services base operating grant is over $9 billion in 2010-11.

Alberta Health Services. As part of a new five-year funding commitment, Alberta Health Services' accumulated deficit will be eliminated and its base operating grant adjusted upwards by $812 million, or more than 10%, to reflect current service levels. From this adjusted base, the operating grant will increase a further $512 million, or 6%, to over $9 billion in 2010-11. The base operating grant will also increase by 6% in 2011-12 and 2012-13, and by 4.5% in both 2013-14 and 2014-15.

Physician Compensation and Development. Over $3.3 billion is budgeted in 2010-11, an increase of $253 million or over 8% from 2009-10. Of this increase, $184 million is for physician compensation. The physician fee schedule increases by 4.5% in 2010-11 under the final year of an agreement with the Alberta Medical Association. Other increases include $40 million for primary care and $20 million for physician office systems.

Drugs and Supplemental Health Benefits. Assistance for prescription drugs, ambulance services and other health benefits is available to Albertans. The 2010-11 budget provides $930 million for these benefits, including $551 million for prescription drug benefits for seniors. This budget also includes over $183 million for cancer therapy drugs and specialized high cost drugs, an increase of over 14% from 2009-10, to address continued growth in demand.

Other Health Services. Nearly $799 million is budgeted in 2010-11 for a variety of services, including allied health, vaccination programs, tissue and blood services, and continuing care initiatives.

Nearly $2.5 billion over three years budgeted for health capital.

Capital Budgets. As of April 1, 2010, funding for new or expanded health facilities and maintenance and renewal of existing facilities will be budgeted in the Ministry of Infrastructure, with other health capital items continuing to be budgeted in the Ministry of Health and Wellness. Between the two ministries, nearly $2.5 billion is budgeted for health capital over the next three years. This will provide:

- $2 billion for facilities, including $284 million for capital maintenance and renewal;
- $224 million for health information systems;
- $151 million for the purchase of vaccines; and
- $102 million primarily for diagnostic and medical equipment.

Alberta Health Services will continue to draw down its reserves of capital funding provided for specific health facilities in past years.

Ministry of Health and Wellness
(millions of dollars)

	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Operating Expense				
Alberta Health Services – Base Funding	7,714	9,038	9,580	10,155
Alberta Health Services – One-Time Items	343	759	-	-
Physician Compensation and Development	3,075	3,328	3,394	3,462
Drugs and Supplemental Health Benefits	864	930	1,017	1,113
Other Health Services	741	799	848	881
Total Operating Expense	**12,737**	**14,854**	**14,839**	**15,611**
H1N1 Pandemic[a]	138	-	-	-
Capital Grants	108	96	76	64
Amortization[b]	81	80	87	79
Total Program Expense	**13,064**	**15,030**	**15,002**	**15,754**
Operating Expense increase – excl. one-time items (%)		13.7	5.3	5.2
Program Expense increase – excl. one-time items (%)		13.5	5.1	5.0
Capital Investment	84	78	85	77

[a] Disaster/emergency assistance is excluded from operating expense.
[b] Includes consumption of inventories (vaccines). The 2009-10 forecast of $81 million includes $10 million related to the H1N1 pandemic.

PRIORITY: *Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run competitiveness and sustainability of Alberta's economy*

Key initiatives in *Budget 2010* that address this priority include:

- Funding for the basic education system is increasing.
- Significant support to the post-secondary education system is provided.
- Initiatives to build a skilled workforce continue.
- Ongoing support is provided to the agriculture sector.

MINISTRY OF EDUCATION

Education program expense is budgeted at $6.1 billion in 2010-11. This includes:

$6.1 billion in program expense for Education in 2010-11.

- $5.6 billion in operating support to school boards and other educational support, an increase of $247 million or 4.6% from the 2009-10 forecast; and
- $513 million for school capital projects, including $120 million for capital maintenance and renewal.

Operating Support to School Boards. Total operating and property tax support to public and separate school boards is budgeted at more than $5.4 billion in 2010-11, an increase of $250 million or 4.8% from 2009-10.

This increase will provide school boards with the announced grant rate increases for the remainder of the 2009-10 school year, address projected provincial student enrollment growth of 0.76% for the 2010-11 school year, support the increasing number of students requiring English as a Second Language programs and provide specialized programs for a growing number of Early Childhood Services children with disabilities.

Within this budget:

- $456 million is provided to operate and maintain schools.
- $259 million is provided to support student transportation services.
- $222 million is provided for the Class Size Initiative, bringing total government support to nearly $1.2 billion since 2004-05. For the 2010-11 school year, the grant will be adjusted to better meet changing student demographics. Class size funds will be distributed through a per student grant with a focus on Kindergarten to Grade 6, where smaller class sizes have the most benefit. Funding will also be directed to specific high school Career and Technology Studies courses that require smaller classes for safety issues.
- $79 million is provided for the Alberta Initiative for School Improvement to support projects that help improve student learning.
- $49 million is provided for the Student Health Services Initiative to increase access to specialized support services for students, such as speech language pathologists and audiologists.

This budget reflects $10 million in savings as minor supplemental grants for the Daily Physical Activity Program, High School Completion and the Career and Technology Studies Health Pathways Initiative will be eliminated at the end of the 2009-10 school year.

Nearly $700 million for Teachers' Pensions in 2010-11.

Teachers' Pensions. The Ministry of Education's budget includes $261 million in 2010-11 for current service payments for teachers' pensions, with a further $437 million budgeted in the Ministry of Finance and Enterprise to provide for the costs of the pre-1992 teachers' pension liability.

Private Schools. Nearly $171 million is budgeted in 2010-11 to support accredited private schools and private operators that provide Early Childhood Services programs for children as young as two and a half years of age.

Program Support. Ministry support services and program delivery support is budgeted at $81 million in 2010-11, a reduction of $1 million from 2009-10. Program support was reduced by $3 million during 2009-10, for a total reduction of $4 million or 5% over two years.

Nearly $1 billion over three years budgeted for school capital.

School Capital. Nearly $1 billion in capital support to schools is budgeted over the next three years. This will provide:

- $631 million for school expansion and upgrading projects; and
- $348 million for capital maintenance and renewal.

Debt Servicing. Debt servicing costs associated with the 18 new schools being built in Calgary and Edmonton under the first phase of the Alberta School Alternative Procurement (ASAP) will be $17 million in 2010-11.

Ministry of Education
(millions of dollars)

	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Operating Expense				
Support to school boards	5,163	5,413	5,503	5,702
Less: Property tax support to				
Opted-out boards	(190)	(199)	(203)	(207)
Accredited Private Schools	167	171	173	175
Other Initiatives	95	98	97	98
Program Support	82	81	84	87
Total Operating Expense	**5,317**	**5,564**	**5,654**	**5,855**
Capital Grants[a]	717	513	184	282
Amortization	1	1	1	1
Total Program Expense	**6,035**	**6,078**	**5,839**	**6,138**
Debt Servicing Costs (ASAP)	-	17	22	24
Total Ministry Expense	**6,035**	**6,095**	**5,861**	**6,162**
Operating expense increase (%)		4.6	1.6	3.6
Program expense change (%)		0.7	(3.9)	5.1

[a] There is another $5 million over three years budgeted in the Ministry of Infrastructure for administration of ASAP projects.

MINISTRY OF ADVANCED EDUCATION AND TECHNOLOGY

Over $3.2 billion in program expense for Advanced Education and Technology in 2010-11.

Advanced Education and Technology program expense is budgeted at over $3.2 billion in 2010-11. This includes:

- $2.6 billion in operating support, a reduction of $73 million or 2.7% from the 2009-10 forecast; and
- $578 million in capital support, including $145 million for capital maintenance and renewal.

Support for Adult Learning. Support for adult learning will be nearly $2.3 billion in 2010-11, including more than $2 billion in operating grants to post-secondary institutions. In 2010-11, base operating grants will be held at 2009-10 levels; however, some institutions will see adjustments to overall funding based on enrollments and program costs. The government continues to focus on quality, accessibility and affordability in the post-secondary system.

The budget includes $146 million for student financial assistance, including:

- $71 million in merit-based scholarship awards. About 37,500 students will receive scholarships.
- $14 million in needs-based bursaries and grants. About 3,100 students will receive bursaries or grants.
- $12 million in Alberta Centennial Education Savings Plan grants. About 38,000 children will benefit from these grants.
- $49 million for Alberta's student loan and debt management programs. This includes the Loan Relief Completion Payment which will reduce the debt of about 6,000 students in their final year of study.

Over $206 million in student loans are expected to be disbursed to more than 44,000 students in 2010-11. Student loans will increase and grants will decrease as changes are made to student assistance programs. Loans will increase with higher lifetime loan limits and additional loans for those with the greatest need, such as students caring for dependants. Grants will decrease as the Alberta Opportunities Grant, the Northern Student Supplement and the Alberta Student Loan Relief Benefit programs have been eliminated.

Innovation. There is $237 million budgeted in 2010-11 for research, innovation and technology commercialization initiatives in areas of strategic importance to Alberta. This includes $188 million in operating support for the four new agencies under the umbrella of Alberta Innovates.

Nearly $1 billion over three years budgeted for post-secondary capital.

Post-Secondary Capital. Nearly $1 billion is budgeted for post-secondary capital projects over the next three years. This will provide:

- $609 million for post-secondary facility expansion and upgrading; and
- $365 million for capital maintenance and renewal.

Ministry of Advanced Education and Technology
(millions of dollars)

	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Operating Expense				
Support for Adult Learning	2,288	2,255	2,259	2,352
Innovation	272	237	244	244
Access to the Future Fund	48	45	45	45
Program Delivery Support	108	106	106	106
Total Operating Expense	**2,716**	**2,643**	**2,654**	**2,747**
Capital Grants	708	578	251	145
Amortization	7	5	5	5
Total Program Expense	**3,431**	**3,226**	**2,910**	**2,897**
Operating Expense increase (%)		(2.7)	0.4	3.5
Program Expense change (%)		(6.0)	(9.8)	(0.4)

WORKFORCE INITIATIVES

Initiatives to build a skilled workforce continue in *Budget 2010*, with more focus on Training for Work programs.

Nearly $177 million for employment and training programs in 2010-11.

Employment and Training Programs. Demand for these programs significantly increased in 2009-10, with forecast spending of $192 million exceeding the budget by $28 million. Nearly $177 million is budgeted for these programs in 2010-11, a $15 million reduction from the 2009-10 forecast. Reductions have been made in tuition allocations for Basic Skills and Academic Upgrading, Youth Connections program and Career Development Services. Funding allocated to Training for Work programs increases to $74 million in 2010-11.

Immigration Programs. Over $65 million is budgeted in 2010-11, a $9 million reduction from 2009-10. Most of this reduction relates to one-time funding provided in 2009-10 through the federal Labour Market Agreement. Some international labour attraction activities will be reduced, while ongoing

initiatives will focus on occupations expected to face labour shortages in the coming years. The 2010-11 budgets for foreign credential recognition, language training and the Alberta Immigrant Nominee Program are expected to meet the demand for these programs. The Province expects to nominate 5,000 people in 2010-11.

SUPPORT FOR AGRICULTURE

About $1.1 billion per year for Agriculture and Rural Development.

About $268 million in industry disaster support was provided in 2009-10, as poor early season weather conditions and declines in commodity prices impacted the agriculture sector. In *Budget 2010*, ongoing agriculture support programs are maintained with about $1.1 billion per year budgeted in Agriculture and Rural Development.

In 2010-11, over $9 million in provincial funding is provided for a new cost-shared federal program (AgriFlex) intended to improve the sector's competitiveness. There is also $40 million in 2010-11 for the federal-provincial Growing Forward initiative. The objectives of Growing Forward are to help develop an industry that is competitive, innovative and proactive in managing risks.

The Alberta Livestock and Meat Agency Ltd. (ALMA) became fully operational in 2009-10. With over $50 million budgeted in 2010-11, ALMA will continue to implement the Livestock and Meat Strategy. This Strategy is designed to enhance the value chain and refocus efforts to achieve a sustainable and competitive livestock industry.

Agriculture Financial Services Corporation (AFSC). Budgeted program expense for AFSC is $741 million in 2010-11. Although Revenue Insurance Coverage will not be offered in 2010-11, core programs at AFSC will continue (funded jointly with agriculture producers and the Government of Canada where applicable). Producers will continue to benefit from access to a variety of programs including Income Stabilization, Lending Assistance and Production Insurance.

OTHER VALUE-ADDED INITIATIVES

Nearly $75 million for tourism initiatives in 2010-11.

Tourism. The budget for tourism related initiatives will be nearly $75 million in 2010-11, an increase of over $6 million or 9.2% from 2009-10. The Travel Alberta Corporation will continue to lead tourism marketing for the province.

Parks. Program expense for provincial parks will be over $65 million in 2010-11. A further $20.7 million in capital investment is planned. The online reservation system for provincial park campgrounds will be expanded to include an additional 25 campgrounds in 2010-11.

Recreation and Sport. Nearly $29 million is budgeted in 2010-11 to support sport, recreational and active living initiatives through Tourism, Parks and Recreation and the Alberta Sport, Recreation, Parks and Wildlife Foundation.

PRIORITY: *Promote strong and vibrant communities and reduce crime so Albertans feel safe*

Key initiatives in *Budget 2010* that address this priority include:

- Safe Communities projects continue to be implemented.
- Benefits and other supports for the most vulnerable Albertans are maintained, through programs such as Assured Income for the Severely Handicapped, the Alberta Seniors Benefit, and other seniors programs.
- The Province will surpass its goal of adding 14,000 new child care spaces. To date, 132 communities have received funding to create new spaces, improving access to quality child care for families.
- The commitment to add 11,000 new affordable housing units by 2011-12 will be fulfilled.

SAFE COMMUNITIES

Safe Communities projects are a key component of the government's efforts to reduce crime. A comprehensive plan to address enforcement, prevention and treatment issues is being implemented, including:

100 front-line police officers will be added in 2010-11.

- **Enforcement.** Another 100 front-line police officers will be added in 2010-11, fulfilling the commitment made in 2008-09 to add 300 new officers over three years.
- **Prevention.** Access to addiction prevention programs will be enhanced, more comprehensive bail hearing and sentencing information for prolific offenders will be provided, services for the families of at-risk children will increase, and support will continue to be provided for the Pathways to Housing program in Calgary.
- **Treatment.** Mental health and addiction services in provincial correctional facilities will be enhanced.

Budgeted program expense for Safe Communities projects will average $151 million per year over the next three years. Another $33 million is included in the 2010-13 Capital Plan to build additional addiction treatment facilities.

BENEFITS AND OTHER SUPPORTS TO VULNERABLE ALBERTANS

Budget 2010 will continue to support the most vulnerable Albertans. Changes are planned in some programs to enhance their long-term sustainability.

Over $733 million for the AISH program in 2010-11.

Assured Income for the Severely Handicapped (AISH). Through the AISH program, supports are provided to 40,000 disabled adults. Over $733 million is budgeted in 2010-11, an increase of $18 million or 2.6% from the 2009-10 forecast. This budget maintains the maximum monthly income benefit of $1,188 and the average monthly health benefit of $350, and also provides for some caseload growth. Since 2005-06, AISH funding has increased by over $240 million, or 50%, as benefits have been enhanced and caseloads increased.

Support to Persons with Developmental Disabilities (PDD). Through the PDD program, supports are provided to about 9,200 clients with developmental disabilities. Most PDD clients also receive AISH benefits. The 2010-11 budget for PDD is $597 million, consistent with the 2009-10 forecast. Since 1999, funding for the PDD program has grown by 100% while caseloads have increased by about 21%.

Support to Persons with Developmental Disabilities are maintained with $597 million in 2010-11.

Alberta Seniors Benefit (ASB). Through the ASB, supports are provided to 144,000 low income seniors. The 2010-11 budget for this program is over $326 million, an increase of $14 million or 4.5% from 2009-10. The budget maintains the current monthly benefits and income thresholds, and provides for projected volume growth.

Other Seniors Programs. The combined budgets for Seniors Dental and Optical Assistance, Seniors Lodge Assistance, Special Needs Assistance for Seniors and School Property Tax Assistance programs will be nearly $133 million in 2010-11, an increase of over $9 million or 7.8% from 2009-10. These budgets will maintain current benefits and provide some funds for volume increases in the Dental and Optical Assistance program.

Alberta Aids to Daily Living. This program provides financial assistance to buy medical equipment and supplies, helping approximately 80,000 Albertans with a long-term disability, chronic illness or terminal illness maintain their independence. The 2010-11 budget for this program is $113 million, consistent with the 2009-10 forecast.

Income Supports and Health Benefits. Monthly benefits are provided to more than 35,000 families under Alberta Works income support programs. Albertans receiving income support benefits also receive financial assistance for child care, children's school supplies and work clothes. Benefits vary based on family size and whether the primary applicant is expected to work, not expected to work or learning.

Weak economic conditions resulted in a significant increase in demand for income supports in 2009-10, with forecast spending of $491 million exceeding the budget by nearly $130 million. The 2010-11 budget is $450 million, a $41 million reduction from 2009-10. This reflects $25 million in anticipated savings by redirecting potential expected to work clients to employment services, training, or connecting them directly to work opportunities. Another $15 million in savings are anticipated by adjusting rates for new learners to more closely align with benefits in other categories, with benefit rate reductions to vary depending on family composition. Funding commitments to existing learners will be honoured at current benefit rates.

Health benefits, including the Alberta Adult Health Benefit (AAHB) and Alberta Child Health Benefit (ACHB), cover supplementary health costs such as dental and eye care, ambulance services, prescription drugs and prenatal nutritional products. Over 5,000 households access the AAHB and more than 87,000 children benefit from the ACHB program. The 2010-11 budget for health benefits is $132 million, a $6 million reduction from 2009-10. The planned reduction in the number of expected to work clients receiving income support will result in cost savings for the health benefits programs.

SERVICES FOR CHILDREN, YOUTH AND FAMILIES

Program expense for the Ministry of Children and Youth Services is budgeted at $1.1 billion in 2010-11, a reduction of $36 million or 3.1% from the 2009-10 forecast. The Ministry will focus spending on its most vulnerable clients, including at-risk children, youth and families.

Child Intervention Services and Foster Care Support. The combined 2010-11 budget for these programs is $545 million, a reduction of $27 million or 4.7% from 2009-10. A stronger focus on measures such as increased permanency and family enhancement supports is expected to improve outcomes and reduce costs in Child Intervention Services. The budget for Foster Care Support is increasing slightly to $163 million in 2010-11. This will support about 5,400 foster child placements.

Child Care. The budget is over $198 million in 2010-11, including $15 million in capital grants to support new child care spaces. Overall, this is a $7.5 million or 3.6% reduction from 2009-10. There will be no changes to rates or the eligibility criteria for existing child care subsidies. These subsidies are expected to assist 17,000 low and middle-income families in 2010-11.

$120 million for Family Support for Children with Disabilities in 2010-11.

Family Support for Children with Disabilities. Nearly $120 million is budgeted in 2010-11 for these support programs, an increase of $5 million or 4.3% from 2009-10. This will help address increased demand and build capacity so that children with disabilities have an opportunity to develop to their potential.

Family and Community Support Services. The 2010-11 budget will be nearly $76 million, consistent with the 2009-10 forecast.

HOMELESS PREVENTION INITIATIVES / HOUSING PROGRAMS

$300 million over three years in capital funding to support development of 2,700 housing units for the homeless.

Homeless Support. Implementation of the 10-year plan to end homelessness in Alberta continues. The 2010-13 Capital Plan includes $100 million in 2010-11 and $300 million over three years to support development of 2,700 housing units for the homeless. In addition, nearly $83 million in operating support is budgeted in 2010-11. This will provide about 3,600 spaces in emergency/transitional shelters as well as outreach support services to assist 1,300 homeless Albertans.

Affordable Housing. The Province will fulfill its commitment to develop 11,000 new affordable housing units by 2011-12. The 2010-13 Capital Plan includes $88 million in 2010-11 and $285 million over three years for affordable housing. As well, $46 million will be provided in 2010-11 for capital maintenance and renewal. Operating support is budgeted at $128 million in 2010-11. About 80,000 low-income Albertans will receive rental assistance. During 2009-10, clients of the Homeless and Eviction Prevention Fund who received rent shortfall payments were transitioned to the Rent Supplement Program.

Affordable Supportive Living. A key priority for government is to increase the supply of affordable supportive living units to house low-income seniors and persons with disabilities. The 2010-13 Capital Plan includes $100 million over the next two years to support construction of 950 supportive living units across the province.

OTHER COMMUNITY INITIATIVES

Operating Support to Municipalities. Municipalities will receive over $290 million in direct operating support in 2010-11 for services which help promote strong communities. This includes Family and Community Support Services, policing assistance and library services grants, among other programs. Direct operating support has been reduced by 5% from 2009-10, related to elimination of the Unconditional Municipal Grant and Municipal Sponsorship programs in 2010-11.

First Nations Development Fund. A portion of the proceeds from government-owned slot machines in First Nation casinos is allocated to the First Nations Development Fund. Social, economic and community development projects, such as daycare facilities, are supported through the Fund. In *Budget 2010*, nearly $380 million over three years will be provided to the Fund, including $118 million in 2010-11.

Nearly $380 million over three years to the First Nations Development Fund.

Forest Industry Sustainability. Recommendations from the Forest Industry Sustainability Committee report are being implemented to improve the competitiveness of Alberta's forest industry, and support communities affected by forest industry closures, curtailments and the mountain pine beetle. Over $10 million will be allocated in 2010-11 to address forest industry workforce retention and retraining, and enhance the FireSmart Program and other forest health initiatives.

PRIORITY: *Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population*

Key initiatives in *Budget 2010* that address this priority include:

- The $20.1 billion 2010-13 Capital Plan continues implementation of the *20-Year Strategic Capital Plan.*
- Significant investments will be made in the provincial highway network.
- Municipal infrastructure support continues through the Municipal Sustainability Initiative and other programs.
- Critical water and wastewater management projects are supported, including the *Water for Life* strategy.

PROVINCIAL HIGHWAY NETWORK

$5.7 billion over three years for the provincial highway network.

The 2010-13 Capital Plan includes $5.7 billion over three years for the provincial highway network. In 2010-11, nearly $1.9 billion is provided:

- $904 million to continue construction of the ring roads in Calgary and Edmonton;
- $612 million for construction and rehabilitation work on highways throughout the province; and
- $350 million to continue construction on the economic and trade corridors.

MUNICIPAL INFRASTRUCTURE SUPPORT

$5.25 billion over three years in municipal infrastructure support.

The 2010-13 Capital Plan includes $5.25 billion over three years in municipal infrastructure support, an average of $1.75 billion per year, through the Municipal Sustainability Initiative and other programs.

Municipal Sustainability Initiative (MSI). MSI infrastructure support will exceed $2.5 billion over the next three years, including $826 million in 2010-11. This funding will help address core infrastructure needs in all municipalities.

Other Municipal Infrastructure Support. Over $2.2 billion in other municipal infrastructure support will be provided over the next three years. In 2010-11, $880 million is provided:

- $324 million in municipal transportation grants, based primarily on five cents per litre of fuel delivered in Calgary and Edmonton and $60 per capita for other urban municipalities;
- $323 million for municipal projects through the Building Canada Fund and the Federal Stimulus Program;
- $200 million through the Federal Gas Tax Fund; and
- $33 million for other projects.

Green Transit Incentives Program (GreenTRIP). Funding for GreenTRIP will be $470 million over the next three years, including $70 million in 2010-11. This will support municipal projects to improve and expand local, regional and inter-city public transit systems.

WATER AND WASTEWATER MANAGEMENT

$709 million over three years for water and wastewater management capital projects.

The 2010-13 Capital Plan includes $709 million over three years for water and wastewater management. In 2010-11, $167 million is provided:

- $63 million for water/wastewater monitoring and other regional projects supporting the *Water for Life* strategy;
- $30 million for municipal water and wastewater partnership grants;
- $24 million for irrigation rehabilitation grants; and
- $50 million in other projects.

PRIORITY: *Ensure Alberta's energy resources are developed in an environmentally sustainable way*

Key initiatives in *Budget 2010* that address this priority include:

- Two of the seven regional land-use plans under the *Land-use Framework* will be completed in 2010-11.
- The *Provincial Energy Strategy* outlines a long-term action plan for Alberta to achieve clean energy production.
- Implementation of *Responsible Actions: A Plan for Alberta's Oil Sands* continues.
- Funding for carbon capture and storage, greening energy production and promoting energy efficiency is provided to support the *Climate Change Strategy*.

LAND-USE FRAMEWORK

The provincial *Land-use Framework* sets out an approach to manage public and private lands and natural resources to achieve Alberta's long-term environmental, economic and social goals. The Lower Athabasca and South Saskatchewan regional plans, the first regional plans to be developed under the Framework, will be completed in 2010-11. Supporting the Framework, funding for the Land-use Secretariat will be over $13 million in 2010-11.

PROVINCIAL ENERGY STRATEGY

The *Provincial Energy Strategy* includes actions to address the environmental footprint of energy production and encourage the development of renewable energy.

$43 million for biofuel initiatives in 2010-11.

The Province has provided significant support for the development of renewable energy through biofuel initiatives, leading to more than $1.5 billion in additional private investment in renewable energy projects. In *Budget 2010*, $43 million is budgeted in 2010-11 for biofuel initiatives.

A PLAN FOR ALBERTA'S OIL SANDS

Responsible Actions: A Plan for Alberta's Oil Sands is a comprehensive 20-year strategic plan for Alberta's oil sands.

$400 million over three years for infrastructure in the urban services area of Fort McMurray.

This plan calls for timely investment in infrastructure in the oil sands regions. *Budget 2010* helps to address this with about $400 million over three years for infrastructure within the urban services area of Fort McMurray. This will support continuing construction of a new bridge over the Athabasca River, new interchanges at Thickwood Boulevard and Confederation Way, and the Parsons Creek and Saline Creek housing developments.

CLIMATE CHANGE STRATEGY

Alberta's *Climate Change Strategy* focuses on taking action in three key areas: implementing carbon capture and storage, greening energy production and conserving and using energy efficiently.

$100 million in 2010-11 and $500 million over three years for carbon capture and storage projects.

Carbon Capture and Storage (CCS). *Budget 2010* includes $100 million in 2010-11 and $500 million over three years for CCS projects. Following a rigorous evaluation process, the Province entered into Letters of Intent to participate in four major projects, committing nearly $2 billion in funding over 15 years. This includes $745 million in provincial funding to support the $1.35 billion Quest Project to capture up to 1.2 million tonnes of carbon dioxide a year from Shell's Scotford upgrader near Fort Saskatchewan.

Greening Energy Production. Significant investments to encourage greening energy production continue in *Budget 2010.*

Through the Climate Change and Emissions Management Fund (CCEMF), support will be provided for greening energy production and climate change adaptation, among other areas. The CCEMF is administered by an independent, not-for-profit organization, the Climate Change and Emissions Management Corporation. In November 2009, the Corporation invited 30 organizations to submit detailed proposals for funding consideration, with successful proponents to be announced by June 2010. With $78 million in payments from industry expected in 2010-11, over $318 million will have been collected since the Fund was established in 2007-08.

Through various Canada ecoTrust for Clean Air and Climate Change initiatives, support will be provided for projects that have a strong potential to reduce greenhouse gas emissions, including clean energy research and waste-to-energy conversion. Nearly $46 million is budgeted for ecoTrust initiatives in 2010-11.

Energy Efficiency. There is $15 million budgeted in 2010-11 for initiatives to encourage conservation and energy efficiency by consumers and businesses.

OTHER ENVIRONMENTAL INITIATIVES

$88 million for Alberta's Water for Life Strategy in 2010-11.

Water for Life. In addition to $63 million in capital support, $25 million in operating support will be provided in 2010-11 to continue implementation of Alberta's *Water for Life* strategy.

Orphan Wells. With $30 million in one-time funding, the reclamation of orphan wells was significantly accelerated in 2009-10. This reduced the number of wells to be reclaimed by about 20%. *Budget 2010* continues the Orphan Well Abandonment Program, funded by industry through the Energy Resources Conservation Board, at $13 million per year.

REVENUE OUTLOOK

BUDGET 2010
Striking the Right Balance

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REVENUE OUTLOOK

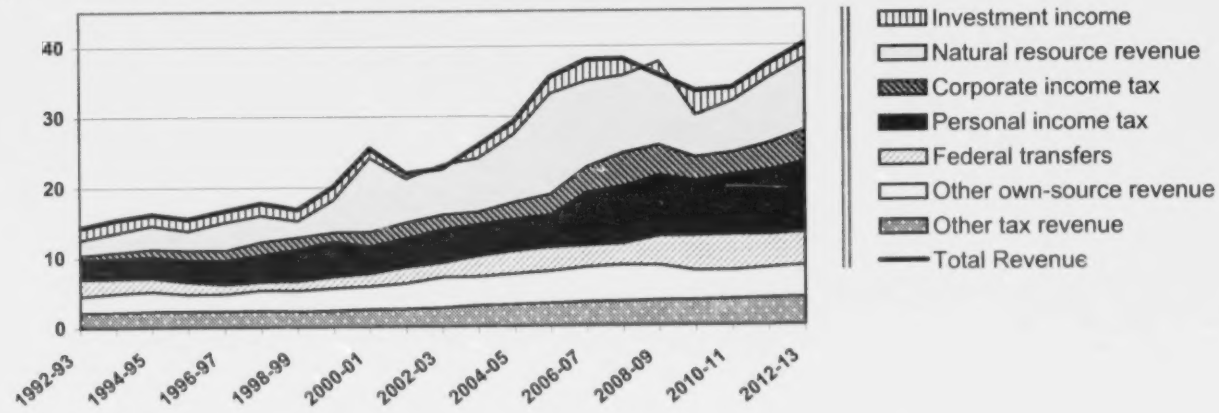
HIGHLIGHTS

- Total revenue expected to increase by $423 million, or 1.3%, to $34 billion in 2010-11, and average 8.8% growth for the next two years.
- Resource revenue forecast to increase by $1.3 billion, or 22%, to $7.3 billion in 2010-11, and to average 19% growth over the next two years. Oil prices forecast to average US$78.75/bbl, and natural gas prices (Alberta Reference Price) to average Cdn$4.25/GJ in 2010-11.
- Tax revenue estimated at $15.6 billion in 2010-11, up 4.3% from 2009-10.
- Investment income expected to decline 44% in 2010-11, as 2009-10 returns were exceptional following the 2008-09 financial market collapse.
- Assumes continued, moderate recovery of Alberta and global economy.

REVENUE OUTLOOK

Total revenue grew rapidly, by an average of 18% per year, between 2002-03 and 2005-06 (excluding the $1.3 billion Alberta 2005 Resource Rebate), peaked at $38 billion for two years, then fell by $2.4 billion in 2008-09 as equity markets collapsed. The full impact of the global recession that began in late 2008 was felt in 2009-10, with revenue forecast to drop a further $2.3 billion, to $33.5 billion. Non-renewable resource revenue alone fell $5.9 billion, almost 50%, and income tax revenue also decreased. A strong rebound in investment income and increases to federal transfers moderated the 2009-10 revenue decline.

Total Revenue
(billions of dollars)



In 2002-03 and 2008-09, the value of Alberta's investment assets fell. This is accounted for as negative income.

In 2010-11, total revenue is forecast to increase by $423 million, or 1.3%, to $34 billion.

In 2010-11, total revenue is forecast to increase by $423 million, or 1.3%, to $34 billion. The increase primarily reflects higher resource and personal income tax revenue, partially offset by lower investment income and continued weakness in gaming and liquor revenue. With the economic recovery gaining momentum into 2011, revenue is forecast to grow by an average of 8.8% per year, reaching $40.2 billion by 2012-13.

Total Revenue
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Tax revenue	16,601	14,907	15,553	16,971	18,531
Non-renewable resource revenue	11,915	6,012	7,315	9,344	10,358
Federal transfers	4,185	4,970	5,090	4,715	4,726
Investment income	(1,917)	3,454	1,947	1,959	2,089
Other revenue	5,027	4,198	4,059	4,313	4,535
Total Revenue	**35,811**	**33,541**	**33,964**	**37,302**	**40,239**

NON-RENEWABLE RESOURCE REVENUE

The global recession and a substantial drop in natural gas prices caused a significant decline in non-renewable resource revenue in 2009-10.

Non-renewable resource revenue is forecast to be $6 billion in 2009-10, half of what it was in 2008-09. The $5.9 billion decline was caused mainly by the impacts of the global recession and a substantial drop in natural gas prices. Oil prices also declined rapidly from record levels in 2008, but recovered strongly during 2009. A lower energy price outlook prompted lower Alberta production of both conventional oil and natural gas. A rising US-Canadian dollar exchange rate also negatively impacted resource revenue.

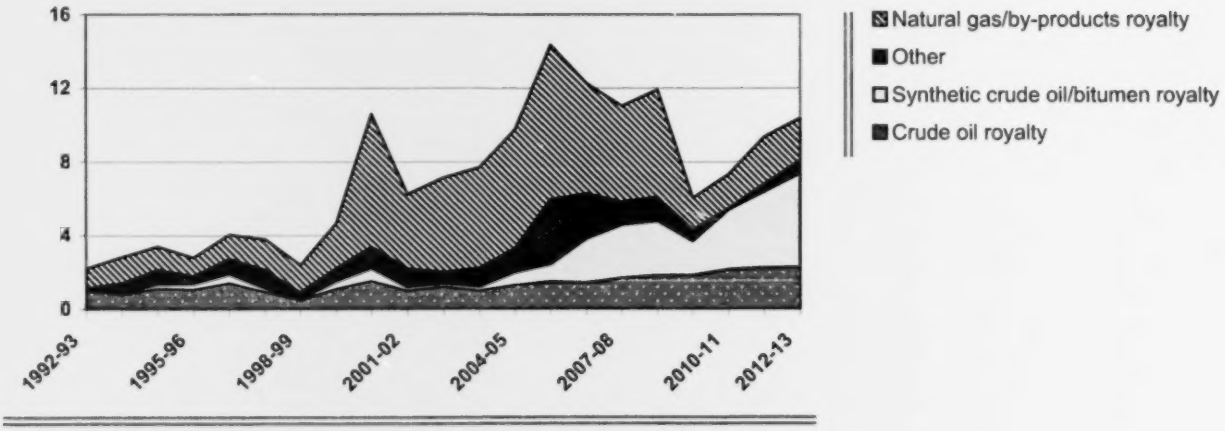
Natural gas royalties declined significantly in 2009-10, by $4.1 billion, or 70%, due primarily to a 51% drop in prices and lower production. Prices are forecast to average Cdn$3.40 per gigajoule (GJ) for 2009-10, down from the 2008-09 average of Cdn$6.97/GJ, as a result of record inventories caused by increasing US production from shale gas and a recession-induced decline in demand.

Oil royalties decreased $1.1 billion in 2009-10, but were higher than forecast in *Budget 2009*. Oil prices rebounded throughout 2009 as the global economy began to recover, led by developing Asia. The price of conventional oil rose from US$41.92 per barrel (bbl) in January to US$74.60 in December. The average price for the fiscal year is forecast to be higher than expected at US$69.95/bbl, but still 19% lower than 2008-09's average price of US$85.94, when the price reached record highs. The price of bitumen was also much stronger than expected, due to lower heavy oil supply and higher demand from expanded US upgrading capacity. Oil sands royalties are forecast to be the largest source of royalty revenue for the first time in 2009-10. In fact, in 2009-10, the higher-than-expected oil prices and revenue essentially offset the lower-than-forecast natural gas price and revenue.

Revenue from land lease bonuses and sales declined $265 million, or 24%, in 2009-10. The decline would have been more substantial but for one shale gas lease sale late in the year at a very high price-per-hectare. Revenue from bonuses and sales of Crown leases is expected to fall $217 million, or 26%, in 2010-11.

The increasing contribution of oil sands royalties to overall resource revenue is anticipated to continue rapidly over the forecast period, and marks a significant change in Alberta's resource revenue picture. Natural gas royalties have been the dominant source of royalties for most of the last two decades, but especially since the turn of the century. Natural gas royalties accounted for over 70% of resource revenue in 2002-03 and 2003-04. The *Budget 2010* forecast indicates a decisive shift toward oil sands royalties, partly due to decreasing natural gas production and continued relatively weak prices, but also to strong bitumen prices and growing oil sands production. By 2012-13, oil sands royalties are expected to be almost 50% of resource revenue, while natural gas royalties are forecast to be 22%.

Non-Renewable Resource Revenue, 1992–93 to 2012–13
(billions of dollars)



In 2010-11, resource revenue is forecast to increase $1.3 billion, or 22%, to $7.3 billion. Royalties from oil are forecast to increase $1.7 billion, led mainly by oil sands, and royalties from natural gas are forecast to increase by $122 million. Total resource revenue is expected to continue to rise over the following two years, to $9.3 billion in 2011-12 and $10.4 billion in 2012-13, an average increase of 19%, again led mainly by oil sands. While increasing, natural gas royalties are forecast to remain far below the high levels of recent years. This resource revenue forecast reflects a strengthening global economy, a lagged recovery in supply growth, increasing demand, and increasing oil and natural gas prices.

In 2010-11, resource revenue is forecast to increase $1.3 billion, mainly led by oil sands.

In March 2009, the government announced two drilling stimulus initiatives in response to the global economic conditions and the credit crisis. The intent was to address the changed economics of exploring and developing natural gas and oil due to the increase in the cost of capital and the dramatic decline in prices. The continued fallout of the credit crisis and the tenuous nature of the economic recovery prompted the government to extend the initiatives an additional year, until March 2011. The revenue reduction, originally forecast to be $842 million in 2009-10, is now expected to be $441 million in 2009-10. The decrease is due to significantly lower drilling levels and reduced conventional royalties to claim the credit against, from lower gas prices.

The initiatives are forecast to reduce revenue by $732 million in 2010-11 and $348 million in 2011-12.

COMPETITIVENESS REVIEW

The discovery of shale gas, increasing costs associated with Alberta's maturing resource basin, and growing concerns with the business and regulatory environment have been cited as challenges to Alberta's natural gas and conventional oil sector. In response, the government initiated the *Natural Gas and Conventional Oil Investment Competitiveness Study*, intended to assess the sector's competitiveness within North America. The government will consider the findings and act to support a sustainable and vibrant industry, which contributes significantly to Alberta's economy and fiscal position.

Non-Renewable Resource Revenue
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Natural gas and by-products royalty	5,834	1,739	1,861	2,565	2,281
Crude oil royalty	1,800	1,821	2,137	2,223	2,255
Synthetic crude oil and bitumen royalty	2,973	1,856	3,249	4,136	5,112
Coal royalty	36	34	35	37	35
Bonuses and sales of Crown leases	1,112	847	630	605	557
Rentals and fees	160	156	135	126	118
Drilling stimulus initiatives	-	(441)	(732)	(348)	-
Total Resource Revenue	**11,915**	**6,012**	**7,315**	**9,344**	**10,358**

OIL ROYALTIES

Total oil royalties are forecast to increase 46% in 2010-11.

Conventional and non-conventional royalties in 2010-11 account for 67% of total non-renewable resource revenue. Oil royalties have fluctuated wildly over the last several years. Early in 2009, oil prices dropped from the record levels they had reached in 2008, and lower-than-expected production and higher costs in the oil sands contributed to the *Budget 2009* forecast for 2009-10 royalties to decline 54% from 2008-09. Later in 2009, oil prices rebounded significantly, and 2009-10 royalties are now forecast 63% higher than budgeted. Total oil royalties are forecast to increase a further 46% in 2010-11, from the 2009-10 forecast, to $5.4 billion, as the roller coaster ride continues.

The conventional oil price is forecast to average US$69.95/bbl in 2009-10, 19% lower than in 2008-09, and to average US$78.75/bbl in 2010-11, or 13% higher than 2009-10. For 2011-12 and 2012-13, prices are forecast to average US$83.50 and US$89.50, respectively, an average increase of 6.6%. Prices for bitumen fell almost 20% in 2009-10 to Cdn$49.36/bbl. This, however, was $17.76/bbl higher than the *Budget 2009* estimate. Historically, bitumen prices have averaged 40-50% of the conventional (light) oil price in Canadian dollars. In 2009-10, the light-heavy price differential narrowed – the bitumen price was 71% of the conventional price. Demand for heavy oil grew due to increased US upgrading capacity, while supply fell due to OPEC reducing heavy oil output

to comply with lower production quotas, and lower Mexico and Venezuela production. Bitumen prices are forecast to increase 14% to Cdn$56.38/bbl in 2010-11, and to $64.07 by 2012-13.

This forecast is based on expected growth in global demand from strengthening economies, particularly in China and India, coupled with limited increases in supply in the medium term.

Oil sands royalties account for 40% of non-renewable resource revenue in 2010-11. Production from oil sands is expected to increase by 16% in 2010-11, and by an average of 9.9% per year over the following two years. As a result, and with expected higher prices, royalties are forecast to increase 75% to $3.2 billion in 2010-11, and then to increase by an average of 25% per year over the next two years, reaching $5.1 billion by 2012-13.

Conventional oil royalties account for 27% of non-renewable resource revenue in 2010-11. Production is forecast to decrease 6.6% in 2010-11, but then to remain relatively stable in both 2011-12 and 2012-13. The forecast increase in the oil price in 2010-11 more than offsets the impact on royalty revenue of the drop in production. Conventional oil royalties are forecast to increase $316 million, or 17% in 2010-11, and to reach $2.3 billion by 2012-13, an average increase of 2.7% per year.

Oil Assumptions

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Revenue ($ millions)					
Crude oil royalty	1,800	1,821	2,137	2,223	2,255
Synthetic crude oil and bitumen royalty	2,973	1,856	3,249	4,136	5,112
Price					
West Texas Intermediate (US$/bbl)	85.94	69.95	78.75	83.50	89.50
Bitumen(Cdn$/bbl)	61.54	49.36	56.38	59.79	64.07
Production (000's barrels/day)					
Conventional	497	454	424	419	419
Non-conventional	1,292	1,528	1,771	1,972	2,140

NATURAL GAS AND BY-PRODUCT ROYALTY

Natural gas royalties account for 23% of total non-renewable resource revenue in 2010-11, down substantially from almost 50% in 2008-09. While the forecast economic recovery in North America should boost prices in 2010-11, several other factors are anticipated to keep natural gas prices, and demand for Alberta production, relatively subdued. New technology has recently made production from large shale gas reserves economical. Many of these reserves are closer to US industrial demand, providing an additional transportation-cost advantage relative to Alberta conventional production. Increased North American capacity to accept liquefied natural gas from overseas has also impacted supply.

Several factors are anticipated to keep natural gas prices, and demand for Alberta production, relatively subdued.

Natural gas prices (the Alberta Reference Price, used for royalty calculations) are forecast to increase $0.85, or 25%, to Cdn$4.25/GJ in 2010-11, and then to increase to Cdn$5.50/GJ by 2012-13, an average increase of 14% per year.

Production of conventional natural gas is forecast to continue to decline. In 2010-11, production is forecast to decrease almost 10%. Conventional production will continue to decline in 2011-12 and 2012-13, by an average of 6.3% each year, leading to an overall decline in natural gas production despite rising production of coal bed methane.

Forecast higher natural gas prices are expected to offset the impacts of lower production. Royalties are forecast to increase $122 million, or 7%, to $1.9 billion in 2010-11, and then increase $704 million to $2.6 billion in 2011-12, before dropping to $2.3 billion in 2012-13.

Natural Gas Assumptions

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Revenue ($ millions)	5,834	1,739	1,861	2,565	2,281
Price (Cdn$/GJ)	6.97	3.40	4.25	5.25	5.50
Production (billions of cubic feet)					
Conventional	4,640	4,396	3,971	3,698	3,487
Coal Bed Methane	263	286	313	342	371

ENERGY PRICE FORECASTS BY OTHER ORGANIZATIONS

Energy price uncertainty has increased and become the norm.

Energy price gyrations in recent years have been significant, rapid and unpredictable. Uncertainty has increased and become the norm. West Texas Intermediate oil prices surged to US$147/bbl in July 2008, tumbled to the US$30/bbl range in December 2008, and have since escalated to the US$70-80/bbl range with the improvement in global economic prospects. Some analysts feel there is now also a degree of currency speculation propping up oil prices, beyond energy market fundamentals: an oil contract priced in US dollars increases in value if the US dollar weakens. The "historical" bitumen-WTI conventional oil price relationship appears to have changed. Natural gas prices followed a similar pattern to oil prices in 2008, surging to record highs and then crashing down. But natural gas prices have not recovered in 2009 like oil prices, due mainly to the rapid development of shale gas supplies, reduced US industrial demand, North American liquefied natural gas import potential and a warmer-than-normal winter in 2009-10.

Comparison of Energy Price Forecasts
Private Forecasters[a]

	High	Low	Average	Budget 2010
2010-11				
Oil Price (WTI US$/bbl)	95.00	66.25	79.25	78.75
Natural Gas Price (Cdn$/GJ)	5.47	3.17	4.73	4.25
2011-12				
Oil Price (WTI US$/bbl)	108.75	70.00	85.57	83.50
Natural Gas Price (Cdn$/GJ)	6.23	4.20	5.37	5.25
2012-13				
Oil Price (WTI US$/bbl)	108.75	70.00	89.90	89.50
Natural Gas Price (Cdn$/GJ)	6.97	4.40	5.62	5.50

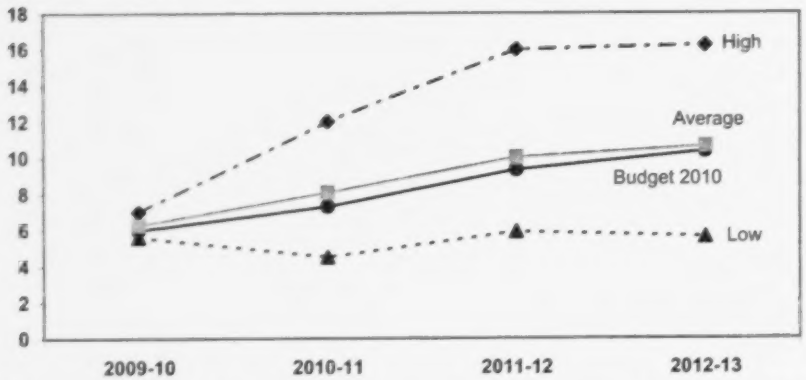
[a] Private forecasts have been converted to a fiscal year basis, and for natural gas prices, from Henry Hub US$/MMBTU basis to Cdn$/GJ.

Most forecasters are expecting oil and natural gas prices to increase over the next three years, with global economic and demand recovery, though there are still considerable differences on the rates and levels of increase. In 2010-11, the range for oil prices is US$28.75/bbl and Cdn$2.30/GJ for natural gas prices. The average forecast for oil prices is US$79.25 and for natural gas prices is Cdn$4.73 in 2010-11.

The government's price forecast is slightly below the average of the various forecasts and in line with the general consensus that prices will improve over the next three years.

Based on this range of prices, non-renewable resource revenue would be between $4.5 billion and $12 billion in 2010-11, and between $5.9 billion and $16 billion in 2011-12.

Energy Revenue Scenarios[a]
(billions of dollars)



[a] Energy revenue scenarios are based on a survey of oil and natural gas price forecasts. Not all of these are publicly released.

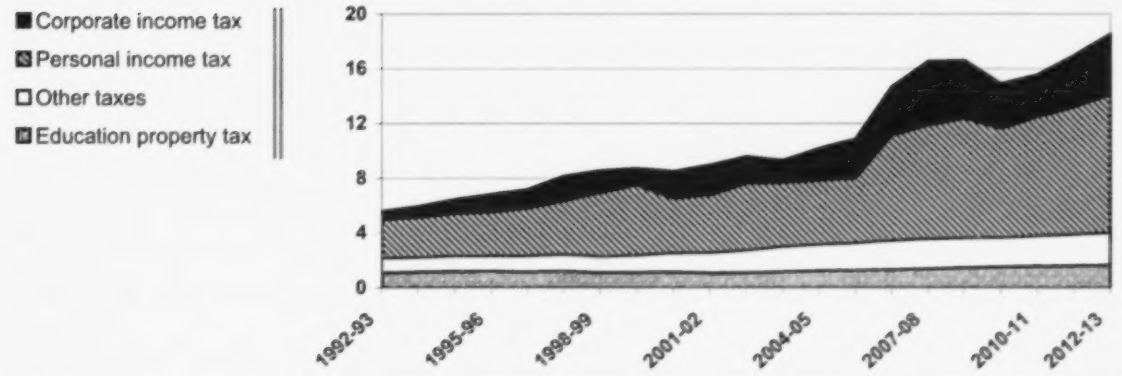
Most forecasters are expecting oil and natural gas prices to increase over the next three years, with global economic and demand recovery.

TAX REVENUE

Tax revenue is estimated at $15.6 billion in 2010-11, due mainly to higher personal income tax revenue.

Tax revenue, 46% of total revenue, is estimated at $15.6 billion in 2010-11, $646 million, or 4.3% higher than in 2009-10. The increase is due mainly to higher personal income tax revenue, partially offset by a decline in corporate income tax revenue. In the following two years, tax revenue is forecast to grow by an average of 9.2% per year, primarily related to increasing personal and corporate income tax revenue. Revenue from other taxes is forecast to exhibit more moderate growth, in line with overall economic growth projections.

Tax Revenue, 1992–93 to 2012–13
(billions of dollars)



PERSONAL INCOME TAX REVENUE

Personal income tax revenue (PIT) is forecast at $8.6 billion in 2010-11, $715 million, or 9% higher than 2009-10. However, the 2009-10 PIT forecast was reduced $626 million from *Budget 2009*, with about half the reduction due to a prior years' adjustment. The deterioration in financial markets caused a sharp drop in taxable capital gains, and meant actual 2008 tax assessments were lower than estimated in 2008-09. This revision is reported in 2009-10 and also reduces the base for 2009 and 2010 PIT. The remainder of the change in the 2009-10 PIT forecast was from lower estimated personal income growth.

Excluding the prior years' adjustment, base personal income tax revenue is forecast to grow by 4.7% in 2010-11. In the following two years, revenue is forecast to grow by an average of 7.9% per year to $10.1 billion. This healthy growth reflects stronger personal income and employment growth.

Personal Income Tax Revenue
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Base revenue	8,256	8,261	8,648	9,267	10,067
Adjustments	452	(328)			
Total	**8,708**	**7,933**	**8,648**	**9,267**	**10,067**
Base revenue change (%)		0.1	4.7	7.2	8.6

CORPORATE INCOME TAX REVENUE

Corporate income tax revenue (CIT) is forecast at $3.1 billion in 2010-11, $187 million, or 5.7% less than 2009-10. With improving Alberta economic conditions and energy prices, CIT is expected to grow to $4.4 billion by 2012-13, averaging 19% growth per year. As with several other Alberta revenue sources, there is considerable uncertainty regarding the CIT forecast.

Despite the economic recovery, corporate income tax revenue is forecast to weaken somewhat in 2010-11.

The *Budget 2009* forecast anticipated a drop of 35% in 2009-10 CIT, due to the impact of the recession on corporate profits. However, 2009-10 cash instalments, typically the most accurate indication of corporations' views on their current CIT liabilities, were much greater than expected in the first three quarters of the year. The 2009-10 forecast was accordingly increased by $853 million for the *2009-10 Third Quarter Fiscal Update*, reported in *Budget 2010*. Despite the economic recovery, CIT revenue is forecast to weaken somewhat in 2010-11 due to loss carry-forwards and lags in the system.

Corporate Income Tax Revenue
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Total	**4,252**	**3,300**	**3,113**	**3,793**	**4,442**
Revenue change (%)		(22.4)	(5.7)	21.8	17.1

EDUCATION PROPERTY TAX REVENUE

Education property tax revenue is forecast at $1.6 billion in 2010-11, an increase of $56 million, or 3.6% from 2009-10. Revenue is expected to grow 2% per year over the following two years, to $1.7 billion. While revenue is increasing, education property tax mill rates are being reduced by about 13.5% in 2010-11 to offset inflationary growth in assessment.

OTHER TAX REVENUE

Revenue from other taxes is forecast at $2.2 billion in 2010-11, an increase of $62 million, or 2.9% from 2009-10. This essentially reflects growth in population and the overall economy, as revenue from most of these taxes is generally linked to volumes purchased. Over the following two years, other tax revenue is expected to increase by an average of 3.7% per year.

Tax Revenue
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Personal income tax	8,708	7,933	8,648	9,267	10,067
Corporate income tax	4,252	3,300	3,113	3,793	4,442
Education property tax	1,466	1,536	1,592	1,624	1,656
Other taxes	2,175	2,138	2,200	2,287	2,366
Total Tax Revenue	**16,601**	**14,907**	**15,553**	**16,971**	**18,531**

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers, comprising 15% of 2010-11 total revenue, are forecast at $5.1 billion in 2010-11, $120 million, or 2.4% higher than in 2009-10.

On a per capita basis, Albertans make a higher net contribution to the federal government than citizens of any other province.

On a per capita basis, Albertans make a higher net contribution to the federal government than citizens of any other province. In 2009, Albertans paid an estimated $21 billion more to the federal government in taxes and transfers than was received back in services.

HEALTH TRANSFERS

Health transfers are estimated at $2.1 billion in 2010-11, $263 million, or 11%, lower than in 2009-10. Although the 2009-10 Canada Health Transfer (CHT) amount was legislated by the federal government, CHT revenue is elevated by a prior years' adjustment of $298 million mainly related to a special provision introduced in the federal 2007 Budget as part of Equalization program re-design. This guaranteed a minimum amount in CHT for 2007-08 and 2008-09. Excluding the prior years' adjustments, base CHT is increasing by $68 million, or 3.5% to just over $2 billion. Other health transfers are decreasing $33 million, primarily reflecting the expiration of the Patient Wait Times Trust. Federal support under the Wait Times Reduction programs continues at $27 million per year. Total health transfers are forecast to increase at an average rate of 3.8% per year over the following two years reaching $2.2 billion by 2012-13.

Alberta receives less per capita cash under the CHT than any other province. The Alberta government will continue to pursue more equitable treatment.

Alberta's CHT cash continues to use an entitlement calculation based on a combination of cash and tax transfers. Since the federal government moved Ontario to equal per capita cash in 2009-10, Alberta is now the only province with per capita CHT cash below the national average. Because of the high value of its tax bases, Alberta receives less per capita cash under the CHT than any other province. Federal estimates indicate Alberta will receive almost $200 less per person in 2010-11 than the national average. Although the federal government has agreed to move to equal per capita CHT cash in 2014-15, this delay will cost Alberta over $700 million per year. The Alberta government will continue to aggressively pursue more equitable treatment sooner.

CANADA SOCIAL TRANSFER

The Canada Social Transfer (CST) provides support for post-secondary education and social programs, and is allocated across provinces on an equal per capita cash basis.

CST revenue is estimated to increase $35 million, or 2.9%, to $1.2 billion in 2010-11. CST revenue is expected to grow by an average of 3.6% per year for the next two years due to the legislated 3% escalator in the per capita payment and growth in Alberta's share of the national population.

OTHER FEDERAL TRANSFERS

Other federal transfers and agricultural support programs are forecast at $1.8 billion in 2010-11, $348 million, or 24% higher than in 2009-10. The increase relates primarily to a large portion of capital projects funded by federal stimulus transfers, notably under the Infrastructure Stimulus Fund, taking place in 2010-11, and other re-profiling of transfers such as Canada ecoTrust for Clean Air and Climate Change.

Several other special-purpose transfers are declining.

- Labour Market Development funding is $23 million lower due to 2008-09 entitlement being used in 2009-10.
- Community Development Trust funding is $9 million lower.
- Assistance of $10 million provided in 2009-10 for combatting Mountain Pine Beetle infestations is not ongoing.
- Agriculture support program transfers decrease $10 million, after increasing $83 million in 2009-10 due to lower commodity prices, higher input costs and increased transfers for the Growing Forward agreement.

Other federal transfers and agricultural support programs are forecast to decrease $502 million in 2011-12, as various economic stimulus transfers, for capital projects, affordable housing and skills and training support, are scheduled to end.

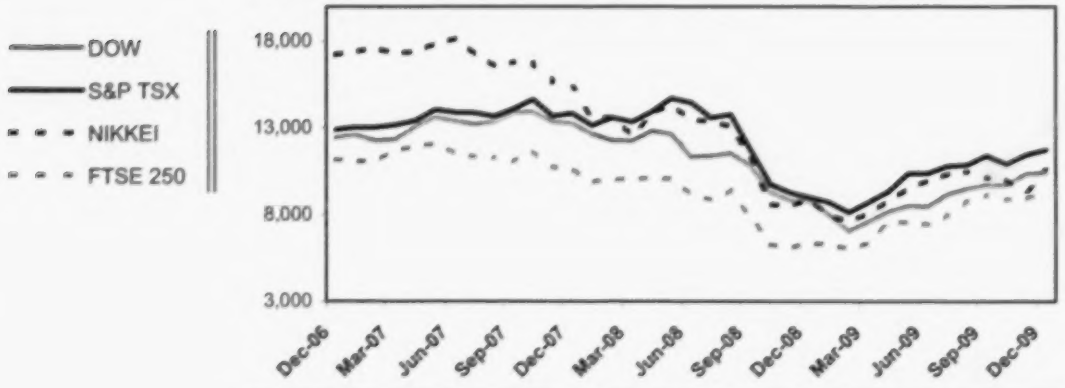
Transfers from Government of Canada
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Health transfers	2,051	2,335	2,072	2,155	2,233
Canada Social Transfer	1,208	1,189	1,224	1,268	1,314
Agriculture support programs	284	367	357	350	360
Other transfers	642	1,079	1,437	942	819
Total Federal Transfers	**4,185**	**4,970**	**5,090**	**4,715**	**4,726**

INVESTMENT INCOME

Following the financial market collapse in late 2008 and early 2009, precipitated by the credit market liquidity crisis and global recession, equity markets rallied strongly. As a result, investment income is forecast to be $3.5 billion in 2009-10, $1.6 billion higher than estimated in *Budget 2009*, and a $5.4 billion improvement from the loss experienced in 2008-09. Heritage Fund investment income of $2.2 billion is the highest ever.

Performance of Major Stock Markets



In 2010-11, investment income is forecast at $1.9 billion. This is lower than 2009-10 as substantial gains in 2009-10 were realised from many assets being revalued following the crash in late 2008 and early 2009. Returns are expected to be more moderate in 2010-11, as asset values have normalised and there is less potential for large increases.

In 2010-11, investment income is forecast at $1.9 billion.

Investment Assets / Income
(millions of dollars)

	Assets at Mar 31, 2010	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Sustainability Fund	14,983	492	525	285	215	140
Heritage Fund	13,838	(2,501)	2,178	1,050	1,085	1,207
Endowment funds [a]	2,666	(530)	345	203	203	221
Alberta Capital Finance Authority	8,028	250	167	164	194	221
Agriculture Financial Services Corp.	2,268	104	97	103	122	145
Other [b]	1,690	268	142	142	140	155
Total	**43,473**	**(1,917)**	**3,454**	**1,947**	**1,959**	**2,089**

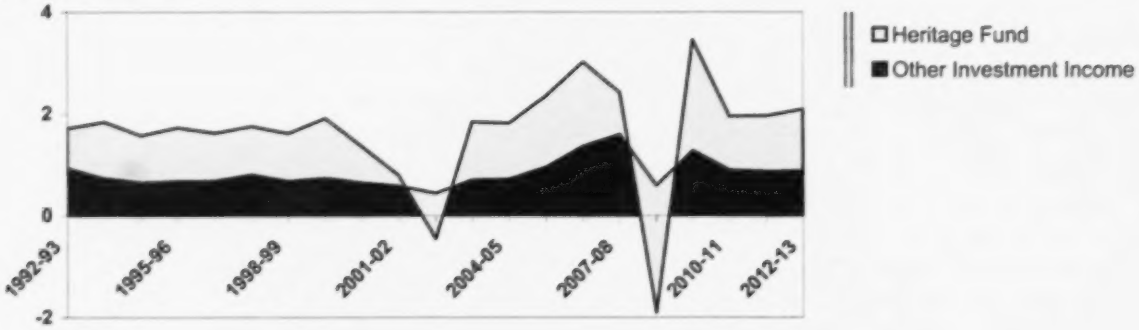
[a] Includes Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund.

[b] Assets include the Debt Retirement Account, Cancer Prevention Legacy Fund and Alberta Enterprise Fund; investment income includes income from these sources and other investment income from a number of smaller funds and accounts.

ALBERTA SUSTAINABILITY FUND

The purpose of the Alberta Sustainability Fund is to offset deficits and protect spending plans from fiscal difficulties. As a result, the Fund is invested in short to medium term fixed-income securities that are relatively liquid. Fund income is forecast at $285 million in 2010-11, a decrease of $240 million from 2009-10, as the Fund is expected to be drawn down to offset the forecast deficit and various cash requirements. Income is forecast to fall by a further $145 million over the next two years, as the Fund balance continues to decrease. Deposits to the Fund resume in 2012-13, upon returning to surplus.

Investment Income, 1992–93 to 2012–13
(billions of dollars)



HERITAGE FUND AND ENDOWMENT FUNDS

In 2009-10, with equity markets rebounding strongly, income from the Heritage and endowment funds is the highest it has ever been.

These funds, with a forecast book value of $16.5 billion as of March 31, 2010, are invested for longer-term returns. They are invested in diversified portfolios which include riskier assets such as equities. As a result, the Heritage and endowment funds were significantly impacted by the deterioration in financial markets, suffering combined losses of $3 billion in 2008-09. In turn, in 2009-10, with equity markets rebounding strongly, income from these funds is the highest it has ever been, at $2.5 billion, a change of nearly $5.6 billion from 2008-09.

Realised income from these funds in 2010-11 is forecast at $1.3 billion, a decrease of $1.3 billion from 2009-10. This forecast is based on long-term expected returns for the various asset classes. The decrease from 2009-10 thus reflects that exceptional gains, realised in 2009-10 on financial assets devalued in the 2008-09 collapse, are not expected to be repeated to the same extent in the near future. In the following two years, realised income from these funds is expected to increase by $175 million, or an average of 6.8% per year.

The increasing use of derivatives as a tool primarily to manage equity portfolios means changes in financial market conditions impact investment income more immediately, increasing volatility. Derivatives are financial contracts whose value is derived from the value of the underlying assets, stock market indices, interest rates or currency rates. Changes in the value of derivatives are realised on a regular basis, while changes in the value of an equity held directly are only realised when it is sold or a decline in its value is considered permanent.

The Heritage Fund is invested in a diversified portfolio for longer-term returns.

Heritage Fund Returns and Asset Mix[a]
December 31, 2009

Type of Investment	Expected Return (%)	Asset Mix (%)	Returns (%) 5-Year	Returns (%) 1-Year
Canadian public equities	8.0	13.8	7.7	36.8
Foreign public equities	8.0	36.2	(0.6)	15.1
Real estate	8.0	10.3	12.2	(9.9)
Private equity	11.0	4.0	4.1	(5.5)
Infrastructure	9.0	3.3	13.1	2.1
Timberlands	8.0	0.5	n.a.	(8.8)
Absolute return strategies	6.75	5.4	1.6	16.8
Fixed income	5.0	25.6	4.5	7.6
Money market	3.75	0.9	2.9	1.1
Active management value added	1.0	n.a.	(0.2)	0.0
			4.4	**11.2**

[a] Asset mix / annual returns reflect periods ending December 31, 2009 on a preliminary basis.

ALBERTA CAPITAL FINANCE AUTHORITY AND AGRICULTURE FINANCIAL SERVICES CORPORATION

The Alberta Capital Finance Authority (ACFA) allows municipalities and other local authorities to borrow at rates based on the provincial government's AAA rating, currently between 2.6% and 4.9%, depending on the term of the loan. As at March 31, 2010, the forecast assets of the ACFA are $8 billion.

In 2010-11, ACFA income is forecast at $164 million, a 1.8% decrease from the 2009-10 forecast income, but a 44% decline from the *Budget 2009* estimate. This reflects a change in the method of forecasting both the revenue (interest charged to municipalities on loans) and expense (interest paid on amounts borrowed to on-lend to municipalities), to better represent ACFA business practices of using variable rather than fixed rates. The lower revenue forecast is basically offset by a lower expense forecast. Revenue is forecast to grow an average of 16% per year to $221 million by 2010-13, due to a nearly $2 billion increase in ACFA lending activities and an increase in interest rates.

The Agriculture Financial Services Corporation (AFSC) provides low cost farm loans and manages the government's agriculture insurance programs. The forecast assets of AFSC at March 31, 2010 are $2.3 billion. AFSC's income is forecast at $103 million in 2010-11, a $6 million, or 6.2% increase from 2009-10. Revenue is forecast to grow by an average of 19% per year by 2012-13 due to an increase in assets of $1 billion and an increase in lending activity.

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at $4.1 billion in 2010-11, $139 million, or 3.3% less than 2009-10. Revenue from other sources is expected to increase over the following two years by an average of 5.7% and reach $4.5 billion by 2012-13.

GAMING AND LIQUOR REVENUE

Gaming and liquor revenue is forecast at $2 billion in 2010-11, a decrease of $83 million, or 4%, from 2009-10. These revenue sources are driven by

volume, and consumption is quite sensitive to economic conditions. The forecast decrease in 2010-11 is based on consumer confidence slightly lagging economic recovery. Over the following two years revenue is expected to grow by an average of 3.9% per year, reaching over $2.1 billion by 2012-13.

ALBERTA TREASURY BRANCHES

Net income is forecast at $129 million in 2010-11, a decrease of $15 million from 2009-10, mainly as a result of implementation costs for a new banking system. Net income is expected to increase to $218 million and $288 million in 2011-12 and 2012-13 respectively, due to growth in loans and deposits and an improvement in interest-rate spreads. ATB net income was significantly below normal in 2008-09 due to write-downs related to asset-backed commercial paper of $140 million.

PREMIUMS, FEES AND LICENCES

Revenue is estimated at $1.2 billion in 2010-11, an increase of $131 million, or 12% from 2009-10, mainly related to increases to Supplementary Health Benefit Premiums, effective July 1, 2010. Seniors Drug Plan Premiums, forecast at $62 million in 2010-11, are being introduced as part of the Alberta Pharmaceutical Strategy. The new Seniors Drug Plan will lower or completely eliminate prescription drug costs for about 60% of seniors. Premiums for the existing Non-Group Health Benefits program are being increased to rates comparable to employer and private plans. They are forecast at $42 million, an $8 million increase from 2009-10. Premiums, fees and licences revenue is forecast to increase by an average of 4.0% per year, reaching $1.3 billion by 2012-13.

The new Seniors Drug Plan will lower or completely eliminate prescription drug costs for about 60% of seniors.

OTHER REVENUE

Other revenue is expected to decrease by $172 million from 2009-10, to $715 million in 2010-11. Revenue in 2009-10 was supplemented by a donation from the private sector of an interchange near Fort McMurray and included the Alberta Research Council's commercial revenue, which is no longer being reported in the budget presentation following ARC's dissolution and the creation of Alberta Innovates corporations. The decrease in 2010-11 also reflects lower AIMCo external management fees and lower gains on disposals of assets. Other revenue is expected to increase by an average of almost 3.8% per year, reaching $771 million by 2012-13, primarily due to an increase in 2011-12 in Climate Change and Emissions Management Fund revenue.

Revenue from Other Sources
(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Alberta Gaming & Liquor Commission	2,196	2,072	1,989	2,063	2,149
Alberta Treasury Branches	6	144	129	218	288
Premiums, fees and licences	1,887	1,095	1,226	1,289	1,327
Other	938	887	715	743	771
Total	**5,027**	**4,198**	**4,059**	**4,313**	**4,535**

Revenue Sources and Key Drivers

A significant portion of Alberta government revenues comes from non-renewable resources and investment income and is subject to considerable volatility. The following table describes Alberta's revenue sources and their key drivers.

Revenue Source and Key Drivers	Comments
Income Tax Revenue	
Personal Income Tax • Economic and labour market conditions that affect personal income • Number of taxpayers (population) • Inflation indexing	• Adjustments to prior year estimates are included in revenue and primarily reflect differences between actual taxable income assessed by Canada Revenue Agency after the tax year and the personal income growth estimates by Statistics Canada initially used to estimate tax revenue. • Alberta is required to follow the federal definition of taxable income. • Indexing of tax credit amounts reduces revenue.
Corporate Income Tax • Corporate taxable income/profits • General economic conditions e.g., labour and other cost inflation, exchange rates, energy prices	• Volatile and difficult to forecast. • Timing and use of discretionary tax pools (e.g. capital cost allowances, loss pools, exploration and development pools) contributes to volatility. • Historically, cash installment payments from corporations are the best indicator of current corporate income tax. • Alberta administers its corporate income tax system, but generally maintains consistency with the federal system.
Other Taxes	
Education Property Tax • Construction growth (new and improvements to existing)	• Tends to be a stable source of revenue. • Current policy is to lower rates to offset inflationary growth in assessment.
Other taxes • Tobacco, Fuel, Insurance Taxes, Tourism Levy - based on consumption and driven by population and economic growth • Freehold Mineral Rights Tax based on energy prices and production	• Tend to be stable sources of revenue (tobacco, fuel, tourism, insurance). • Tobacco revenue can be affected by smuggling/criminal activity and tobacco use reduction efforts.
Non-renewable Resource Revenue	
Natural gas and by-products royalty • Price and production • Global economic growth • Weather • North American shale gas development • Liquefied natural gas imports • Environmental issues	• Unclear how quickly demand will recover following global and US recession. • Increase in US non-conventional shale gas production has led to high natural gas storage levels and lower prices. Lower supply costs of shale gas production and proximity to US industrial demand has significantly impacted natural gas markets and the Alberta industry.
Crude oil royalty • Price and production • Global economic growth • OPEC market influence and non-OPEC supply additions • Geopolitical and environmental issues	• Prices are extremely unpredictable. Wide range of views based on opinions about global demand and supply growth. • Uncertainty about strength of the global recovery.
Synthetic crude oil and bitumen royalty • Price (including bitumen valuation) and production • Investment and operating costs due to 'revenue minus cost' royalty regime • Environmental issues	• All oil sands projects have elected to pay royalties based on revenue and costs of bitumen production. • High costs erode government revenue share. • Lower production of heavy oil from OPEC, Mexico and Venezuela, combined with increased US upgrading capacity and therefore demand, have driven bitumen prices up.
Other • Includes bonuses and sale of crown leases, rentals and fees, and coal royalty • Activity in industry • Number/location of leases up for auction • Environmental issues	• Sale of crown leases reached a record of $3.5 billion in 2005-06 and has been declining since. • For oil sands, 98% of surface mineable area is leased, while 58% of the in-situ area is leased.

Revenue Source and Key Drivers	Comments
Transfers from the Government of Canada	
• Includes Canada Health Transfer (CHT), Canada Social Transfer (CST), Agriculture Support programs, and other transfers • Federal policy and program parameters • Population	• The federal transfers for health and social services are population based. The $298 million adjustment to Canada Health Transfer revenue for 2009-10 was mostly related to a special federal payments protection provision for prior years. • The federal government introduced a number of short term fiscal stimulus transfers in 2009-10, which will end in the next several years. • Agriculture support programs are affected by weather, commodity prices, trade barriers, crop/livestock disease and pests (e.g., BSE).
Net Income from Commercial Operations	
Gaming and Liquor Revenue • Population • General economic conditions • Personal income	• Lottery proceeds are used to support volunteer and community-based initiatives. • Gaming and liquor revenue influenced by societal trends and disposable income.
Other • Mainly Alberta Treasury Branches (ATB) • Economic and business conditions	• ATB write-down of asset-backed commercial paper in 2007-08 and 2008-09. • ATB income is affected by loan defaults and investment gain/losses.
Premiums, Fees and Licences	
Other Premiums, Fees and Licences • Includes motor vehicle licenses, crop and hail insurance premiums, land titles • Supplementary Health Benefit Premiums • Mainly volume/population driven	• The Supreme Court ruled that fees must be correlated with the costs of providing the good or service. • Land titles are affected by housing starts and home sales. • Crop and hail insurance premiums are affected by commodity prices, crop conditions, and exchange rates. • Seniors Drug Plan Premiums introduced as part of the Alberta Pharmaceutical Strategy.
Investment Income	
Long-term investments • Includes the Alberta Heritage Savings Trust Fund and endowment funds • Global equity markets • Interest and exchange rates	• In the short-term, realised income is volatile due to market swings as assets are bought and sold and derivatives are revalued regularly. • Over the longer-term, swings in income are expected to even out. • Interest rate changes impact investment income through their effect on the market price of bonds, and exchange rate changes affect return from investments in foreign assets. • The new Heritage Fund Business Plan investment policy provides more flexibility in allocation among asset classes.
Loan/Insurance portfolios • Includes ACFA and AFSC • Interest rates • Amount of municipal borrowing • Health of agriculture sector and availability of conventional borrowing sources	• Objectives of provincial agencies are policy-oriented, not focused on maximizing investment returns.
Short to medium-term investments • Primarily Sustainability Fund • Interest rates • Timing and amount of withdrawals • Emergencies/disasters	• Sustainability Fund available to protect government fiscal plan. • Invested in more liquid financial instruments, which generally bear a lower rate of return and risk.
Other Revenue	
• Includes insurance company liability for health care costs, traffic fines, Climate Change Emissions Management Fund • Mainly based on population growth	• Amount of emission management credits paid by industry depends on corporate decisions regarding emission management options. • Crown's cost of health services, provided to Albertans injured by negligent operation of automobiles, is covered by Alberta automobile insurers.

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FISCAL PLAN TABLES

BUDGET 2010

Striking the Right Balance

FISCAL PLAN TABLES

BUDGET 2010

Striking the Right Balance

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Fiscal Summary [a]

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Revenue	35,811	31,667	33,541	**33,964**	37,302	40,239
Expense						
Program expense						
Operating expense	29,835	31,250	31,462	**33,211**	33,289	34,720
Capital grants [b]	5,279	4,152	4,193	**4,406**	3,969	3,797
Disaster/emergency/natural gas rebates	718	-	577	**-**	-	-
Capital amortization and nominal sum disposals	623	774	710	**759**	792	809
Debt servicing costs	208	205	223	**336**	387	408
Total Expense [c]	36,663	36,381	37,165	**38,712**	38,437	39,734
Surplus / (deficit)	(852)	(4,714)	(3,624)	**(4,748)**	(1,135)	505

[a] For fiscal policy purposes under the *Fiscal Responsibility Act*. Amounts in 2009-10 and 2008-09 have been restated to be comparable to the 2010-11 presentation. Does not include changes in SUCH sector equity or pension liabilities, or revenue and expense of Alberta Innovates corporations.

[b] Includes capital grants and support for capital planning, accommodation, provincial highway systems work and government facilities preservation expenses.

[c] Capital investment (not included in expense): 2,314 3,027 2,646 2,802 2,940 2,161

Sustainability Fund

(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Balance at start of year	15,125	16,822	**14,983**	8,216	4,704
Deposit of surplus	-	-	**-**	-	505
Withdrawals:					
To offset deficit	(852)	(3,624)	**(4,748)**	(1,135)	-
Capital cash adjustments	(1,266)	59	**(519)**	(909)	(1,058)
Other savings allocation	(100)	-	**-**	-	-
Other adjustments:					
Heritage Fund inflation-proofing	-	-	**(291)**	(283)	(288)
Retained income of funds and agencies	2,965	(182)	**(341)**	(452)	(595)
Cash transferred from previous year 4th quarter results	928	1,503	**-**	-	-
Cash to be transferred from previous year 4th quarter results	(1,503)	-	**-**	-	-
Other cash adjustments	1,525	405	**(868)**	(733)	(460)
Assets at End of Year	16,822	14,983	**8,216**	4,704	2,808

Balance Sheet – Summary

(millions of dollars)

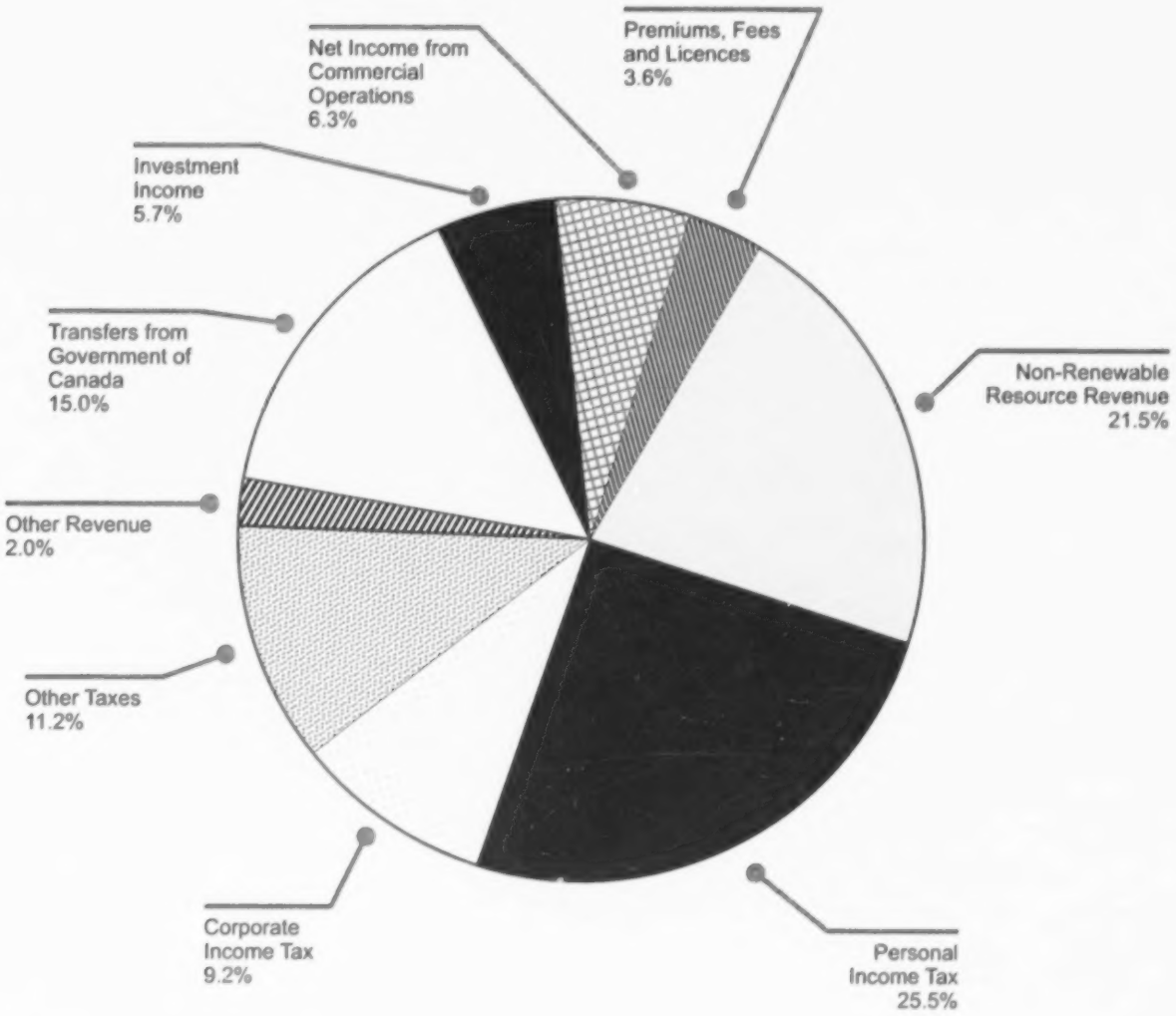
	At March 31				
	2009 Actual	2010 Forecast	2011 Estimate	2012 Target	2013 Target
Financial Assets					
Heritage Fund, endowments and other funds	18,075	18,194	**18,250**	18,225	18,317
Self-supporting lending organizations	9,235	10,296	**11,483**	12,694	13,253
Sustainability Fund	16,822	14,983	**8,216**	4,704	2,808
Other financial assets	9,919	8,364	**9,131**	10,118	11,079
Total Financial Assets	54,051	51,837	**47,080**	45,741	45,457
Liabilities					
Liability for capital projects	880	2,903	**4,425**	5,664	5,934
Pension liabilities	10,081	9,498	**10,042**	10,581	11,100
Other liabilities	16,217	18,729	**19,239**	19,944	20,214
Total Liabilities	27,178	31,130	**33,706**	36,189	37,248
Net Financial Assets	26,873	20,707	**13,374**	9,552	8,209
Capital assets	15,848	17,787	**19,828**	21,976	23,305
Net Assets	42,721	38,494	**33,202**	31,528	31,514

Revenue

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Income Taxes						
Personal income tax	8,708	8,559	7,933	**8,648**	9,267	10,067
Corporate income tax	4,252	2,447	3,300	**3,113**	3,793	4,442
	12,960	11,006	11,233	**11,761**	13,060	14,509
Other Taxes						
Education property tax	1,466	1,532	1,536	**1,592**	1,624	1,656
Tobacco tax	828	915	865	**880**	900	920
Fuel tax	719	725	745	**760**	775	795
Freehold mineral rights tax	261	200	165	**167**	189	196
Insurance taxes	293	298	302	**330**	357	386
Tourism levy	74	76	61	**63**	66	69
	3,641	3,746	3,674	**3,792**	3,911	4,022
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	5,834	3,687	1,739	**1,861**	2,565	2,281
Crude oil royalty	1,800	1,249	1,821	**2,137**	2,223	2,255
Synthetic crude oil and bitumen royalty	2,973	1,008	1,856	**3,249**	4,136	5,112
Coal royalty	36	27	34	**35**	37	35
Bonuses and sales of Crown leases	1,112	631	847	**630**	605	557
Rentals and fees	160	143	156	**135**	126	118
Drilling stimulus initiatives	-	(842)	(441)	**(732)**	(348)	-
	11,915	5,903	6,012	**7,315**	9,344	10,358
Transfers from Government of Canada						
Health transfers	2,051	2,037	2,335	**2,072**	2,155	2,233
Canada Social Transfer	1,208	1,170	1,189	**1,224**	1,268	1,314
Agriculture support programs	284	374	367	**357**	350	360
Other	642	1,090	1,079	**1,437**	942	819
	4,185	4,671	4,970	**5,090**	4,715	4,726
Investment Income						
Alberta Heritage Savings Trust Fund	(2,501)	789	2,178	**1,050**	1,085	1,207
Medical Research endowment	(253)	52	165	**95**	96	103
Science and Engineering Research endowment	(140)	30	92	**55**	55	61
Scholarship endowment	(137)	20	88	**53**	52	57
Alberta Capital Finance Authority	250	294	167	**164**	194	221
Sustainability Fund	492	345	525	**285**	215	140
Debt Retirement Account	74	45	52	**38**	26	15
Agriculture Financial Services Corporation	104	108	97	**103**	122	145
Other	194	129	90	**104**	114	140
	(1,917)	1,812	3,454	**1,947**	1,959	2,089
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,512	1,492	1,342	**1,292**	1,352	1,425
Liquor revenue	684	880	730	**697**	711	724
Alberta Treasury Branches	6	148	144	**129**	218	288
Other	9	7	7	**9**	27	25
	2,211	2,527	2,223	**2,127**	2,308	2,462
Premiums, Fees and Licences						
Health care insurance premiums	759	-	-	**-**	-	-
Supplementary health benefits premiums	26	34	34	**104**	136	144
Motor vehicle licences	373	366	360	**369**	373	379
Crop and hail insurance premiums	209	251	219	**241**	255	264
Energy Resources Conservation Board levies	109	111	111	**115**	114	114
Land titles	61	62	58	**53**	54	56
Other	350	332	313	**344**	357	370
	1,887	1,156	1,095	**1,226**	1,289	1,327
Other						
Refunds of expense	214	111	117	**110**	110	110
Climate change and emissions management	85	95	95	**78**	112	112
Fines and penalties	112	113	114	**114**	114	115
Miscellaneous	518	527	554	**404**	380	409
	929	846	880	**706**	716	746
Total Revenue	35,811	31,667	33,541	**33,964**	37,302	40,239

2010–11 Revenue
$34 billion


Premiums, Fees and Licences 3.6%
Net Income from Commercial Operations 6.3%
Investment Income 5.7%
Transfers from Government of Canada 15.0%
Non-Renewable Resource Revenue 21.5%
Other Revenue 2.0%
Other Taxes 11.2%
Corporate Income Tax 9.2%
Personal Income Tax 25.5%

Expense by Ministry

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Program [a]						
Legislative Assembly	86	95	92	**94**	108	94
Aboriginal Relations	142	150	149	**153**	155	163
Advanced Education and Technology	3,538	3,257	3,431	**3,226**	2,910	2,897
Agriculture and Rural Development	1,319	1,139	1,409	**1,055**	1,064	1,108
Children and Youth Services	1,093	1,141	1,141	**1,106**	1,102	1,140
Culture and Community Spirit	487	274	289	**284**	254	251
Education	5,897	6,158	6,035	**6,078**	5,839	6,138
Employment and Immigration	970	1,010	1,187	**1,100**	1,051	1,089
Energy	392	501	407	**457**	509	516
Environment	333	348	325	**308**	325	320
Executive Council	29	36	35	**32**	24	25
Finance and Enterprise	947	1,169	1,000	**1,082**	1,136	1,195
Health and Wellness	12,034	12,713	13,064	**15,030**	15,002	15,754
Housing and Urban Affairs	632	560	603	**491**	454	462
Infrastructure	1,626	804	638	**1,170**	1,301	1,229
International and Intergovernmental Relations	26	26	26	**24**	24	25
Justice	442	486	467	**479**	484	500
Municipal Affairs	710	593	610	**1,030**	1,040	1,091
Seniors and Community Supports	1,851	1,974	1,952	**1,995**	2,014	2,035
Service Alberta	286	300	303	**280**	285	293
Solicitor General and Public Security	602	648	627	**641**	646	689
Sustainable Resource Development	485	344	503	**306**	295	302
Tourism, Parks and Recreation	240	193	201	**176**	161	165
Transportation	2,246	2,228	2,371	**1,964**	2,042	2,014
Treasury Board	42	244	77	**55**	65	71
In-year savings[b]	-	(215)	-	**(240)**	(240)	(240)
Total Program Expense	36,455	36,176	36,942	**38,376**	38,050	39,326
Debt servicing costs	208	205	223	**336**	387	408
Total Expense	36,663	36,381	37,165	**38,712**	38,437	39,734

[a] Includes operating expense, capital grants and other capital support, disaster/emergency assistance, natural gas rebates, amortization of capital assets, consumption of inventories and nominal sum disposals.

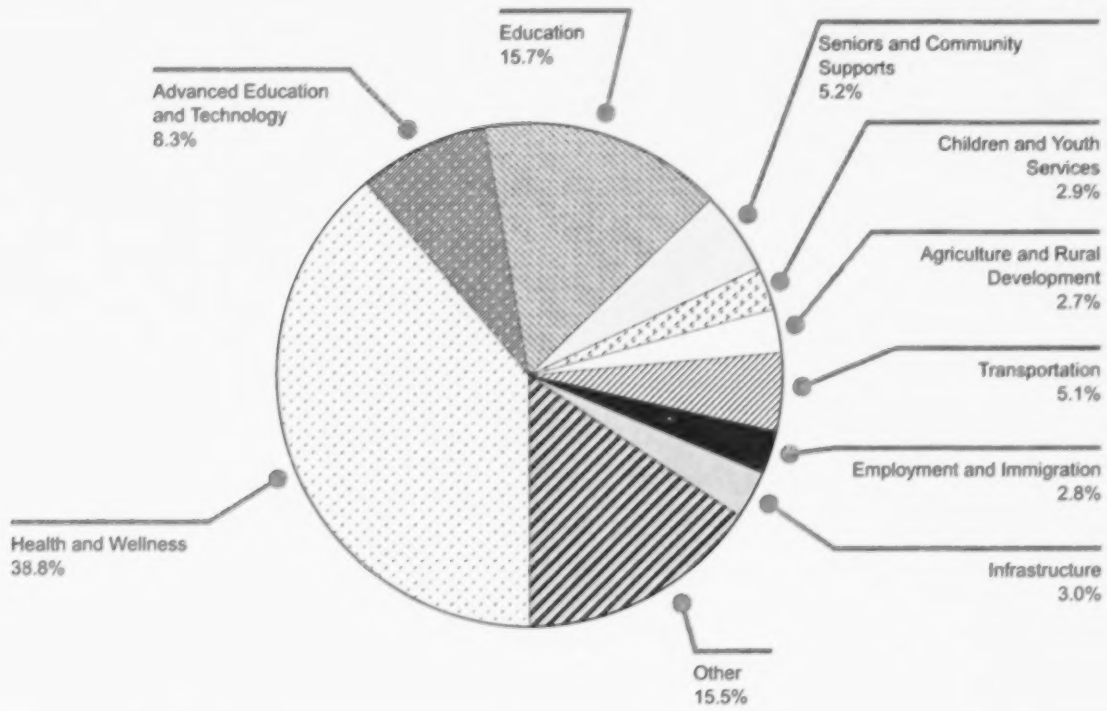
[b] In-year savings have not been allocated to any ministry.

Expense by Function

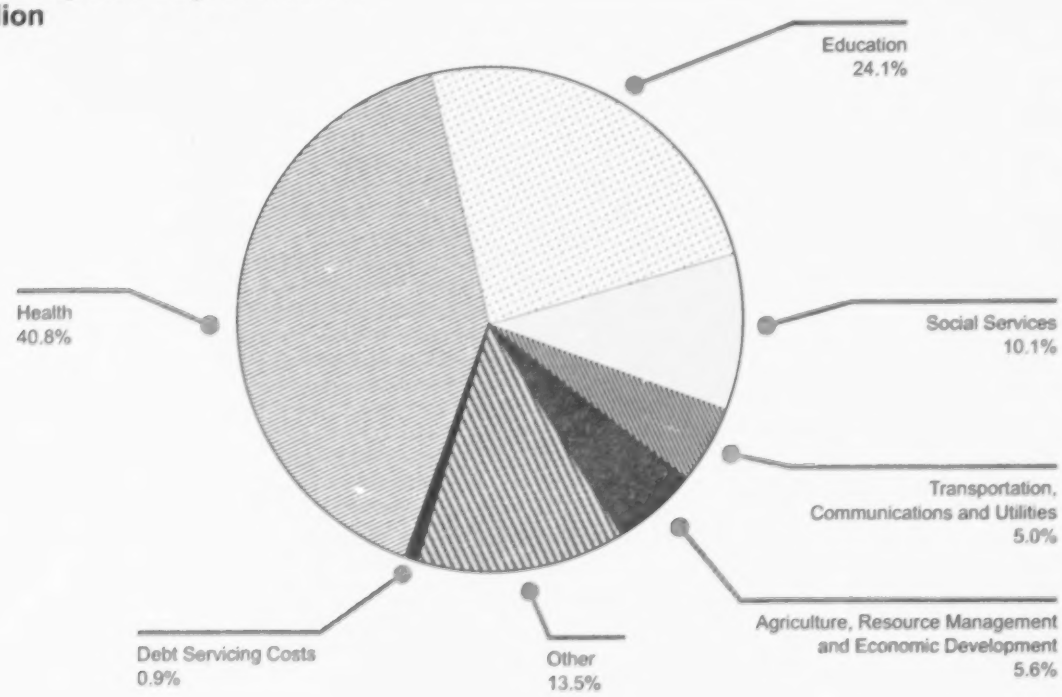
(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Health	13,107	13,180	13,401	**15,813**	15,905	16,511
Education	9,411	9,365	9,473	**9,325**	8,733	9,056
Social Services	3,418	3,709	3,830	**3,902**	3,916	4,031
Transportation, Communications and Utilities	2,437	2,204	2,314	**1,919**	2,004	1,975
Agriculture, Resource Management and Economic Development	2,396	2,264	2,443	**2,153**	2,188	2,245
Protection of Persons and Property	1,411	1,389	1,502	**1,339**	1,351	1,421
Regional Planning and Development	1,005	1,148	870	**1,275**	1,313	1,403
Recreation and Culture	620	372	390	**368**	337	336
Housing	683	509	552	**339**	303	257
Environment	411	448	423	**371**	387	382
General Government	1,556	1,803	1,744	**1,812**	1,853	1,949
Debt Servicing Costs	208	205	223	**336**	387	408
In-year savings	-	(215)	-	**(240)**	(240)	(240)
Total Expense	36,663	36,381	37,165	**38,712**	38,437	39,734

2010–11 Expense by Ministry
$38.7 billion



2010–11 Expense by Function
$38.7 billion



2010–11 Ministry Expense by Function

(millions of dollars)

	Health	Education	Social Services	Transportation [a]	Economic Development [b]	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture	Housing	Environment	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	-	-	-	-	-	-	-	-	94	-	94
Aboriginal Relations	-	-	-	-	-	-	153	-	-	-	-	-	153
Advanced Education and Technology	-	2,963	-	-	263	-	-	-	-	-	-	-	3,226
Agriculture and Rural Development	-	-	-	-	1,055	-	-	-	-	-	-	65	1,120
Children and Youth Services	-	-	1,106	-	-	-	-	-	-	-	-	-	1,106
Culture and Community Spirit	-	-	-	-	42	9	-	233	-	-	-	-	284
Education	-	6,078	-	-	-	-	-	-	-	-	-	17	6,095
Employment and Immigration	35	275	648	-	77	55	10	-	-	-	-	-	1,100
Energy	-	-	-	36	353	-	-	-	-	13	55	-	457
Environment	-	-	-	-	-	-	-	-	-	308	-	-	308
Executive Council	-	-	-	-	-	-	-	-	-	-	32	-	32
Finance and Enterprise	6	3	-	-	17	41	170	-	-	-	845	212	1,294
Health and Wellness	15,030	-	-	-	-	-	-	-	-	-	-	-	15,030
Housing and Urban Affairs	-	-	194	-	-	-	8	-	289	-	-	17	508
Infrastructure	629	6	-	4	-	-	-	-	-	28	503	-	1,170
International and Intergovernmental Relations	-	-	-	-	16	-	-	-	-	-	8	-	24
Justice	-	-	81	-	-	398	-	-	-	-	-	-	479
Municipal Affairs	-	-	-	-	-	23	931	33	-	-	43	-	1,030
Seniors and Community Supports	113	-	1,832	-	-	-	-	-	50	-	-	-	1,995
Service Alberta	-	-	14	-	-	86	-	-	-	-	180	-	280
Solicitor General and Public Security	-	-	27	-	25	587	-	2	-	-	-	-	641
Sustainable Resource Development	-	-	-	-	193	93	-	-	-	20	-	-	306
Tourism, Parks and Recreation	-	-	-	-	76	-	-	100	-	-	-	-	176
Transportation	-	-	-	1,879	36	47	-	-	-	2	-	25	1,989
Treasury Board	-	-	-	-	-	-	3	-	-	-	52	-	55
In-year savings [c]	-	-	-	-	-	-	-	-	-	-	-	-	(240)
Total Expense	**15,813**	**9,325**	**3,902**	**1,919**	**2,153**	**1,339**	**1,275**	**368**	**339**	**371**	**1,812**	**336**	**38,712**

[a] Transportation, Communications and Utilities.

[b] Agriculture, Resource Management and Economic Development.

[c] In-year savings have not been allocated to any functional area.

2010–11 Ministry Expense by Object
(millions of dollars)

	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Others	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	55	21	-	-	17	1	-	94	-	94
Aboriginal Relations	14	2	137	-	-	-	-	153	-	153
Advanced Education and Technology	64	55	3,053	3	49	5	(2)	3,227	(1)	3,226
Agriculture and Rural Development	155	65	167	381	719	14	(381)	1,120	-	1,120
Children and Youth Services	248	449	405	768	-	4	(768)	1,106	-	1,106
Culture and Community Spirit	50	28	203	39	-	3	(39)	284	-	284
Education	66	83	5,928	3	17	1	-	6,098	(3)	6,095
Employment and Immigration	177	159	761	-	-	3	-	1,100	-	1,100
Energy	200	80	156	58	-	21	(58)	457	-	457
Environment	99	48	139	-	-	22	-	308	-	308
Executive Council	23	9	-	-	-	-	-	32	-	32
Finance and Enterprise	148	102	20	1,105	1,013	11	(789)	1,610	(316)	1,294
Health and Wellness	72	143	14,733	-	2	80	-	15,030	-	15,030
Housing and Urban Affairs	16	6	444	139	18	24	(139)	508	-	508
Infrastructure	61	374	653	3	-	82	-	1,173	(3)	1,170
International and Intergovernmental Relations	18	6	-	-	-	-	-	24	-	24
Justice	302	78	69	-	22	8	-	479	-	479
Municipal Affairs	43	21	964	-	-	2	-	1,030	-	1,030
Seniors and Community Supports	147	540	1,306	588	1	1	(588)	1,995	-	1,995
Service Alberta	121	107	-	47	-	52	-	327	(47)	280
Solicitor General and Public Security	228	269	141	1,295	-	3	(27)	1,909	(1,268)	641
Sustainable Resource Development	172	102	15	8	1	16	(6)	308	(2)	306
Tourism, Parks and Recreation	54	66	31	82	6	19	(82)	176	-	176
Transportation	75	443	1,060	-	25	386	-	1,989	-	1,989
Treasury Board	32	9	10	-	3	1	-	55	-	55
In-year savings[a]	-	-	-	-	-	-	-	(240)		(240)
Total Expense	**2,640**	**3,265**	**30,395**	**4,519**	**1,893**	**759**	**(2,879)**	**40,352**	**(1,640)**	**38,712**

[a] In-year savings have not been allocated to any expense category. They are included in the Ministry Expense total for the purposes of this presentation.

Operating Expense by Ministry[a]

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Legislative Assembly	85	94	91	**93**	107	93
Aboriginal Relations	142	150	149	**153**	155	163
Advanced Education and Technology	2,654	2,759	2,716	**2,643**	2,654	2,747
Agriculture and Rural Development	973	1,083	1,087	**1,011**	1,016	1,060
Children and Youth Services	1,082	1,123	1,123	**1,087**	1,098	1,136
Culture and Community Spirit	237	227	232	**197**	197	204
Education	5,226	5,397	5,317	**5,564**	5,654	5,855
Employment and Immigration	968	1,007	1,184	**1,097**	1,048	1,086
Energy	369	381	381	**336**	288	295
Environment	203	214	206	**192**	186	187
Executive Council	29	36	35	**32**	24	25
Finance and Enterprise	940	1,161	992	**1,071**	1,123	1,177
Health and Wellness	11,959	12,581	12,737	**14,854**	14,839	15,611
Housing and Urban Affairs	275	239	236	**233**	233	239
Infrastructure	403	418	414	**399**	413	423
International and Intergovernmental Relations	26	26	26	**24**	24	25
Justice	435	478	459	**471**	476	492
Municipal Affairs	218	236	233	**200**	200	205
Seniors and Community Supports	1,729	1,922	1,900	**1,944**	1,963	2,034
Service Alberta	257	259	270	**228**	228	233
Solicitor General and Public Security	598	645	623	**638**	643	686
Sustainable Resource Development	304	316	321	**290**	278	285
Tourism, Parks and Recreation	156	170	169	**156**	142	146
Transportation	526	493	485	**494**	496	508
Treasury Board	41	50	76	**44**	44	45
In-year savings	-	(215)	-	**(240)**	(240)	(240)
Total Operating Expense	29,835	31,250	31,462	**33,211**	33,289	34,720

[a] Excludes debt servicing costs, capital grants and other capital support, disaster/emergency assistance, natural gas rebates, amortization of capital assets, consumption of inventories and nominal sum disposals.

Debt Servicing Costs

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Agriculture and Rural Development						
Agriculture Financial Services Corporation	57	53	51	**65**	76	87
Education						
Alberta Schools Alternative Procurement I / II financing costs (P3s) [a]	-	-	-	**17**	22	24
Finance and Enterprise						
General government	112	112	132	**212**	232	220
Housing and Urban Affairs						
Alberta Social Housing Corporation	21	19	19	**17**	16	14
Transportation						
Government-owned capital financing costs (P3s) [a]	18	21	21	**25**	41	63
Total Debt Servicing Costs	208	205	223	**336**	387	408

[a] P3s are public-private partnerships.

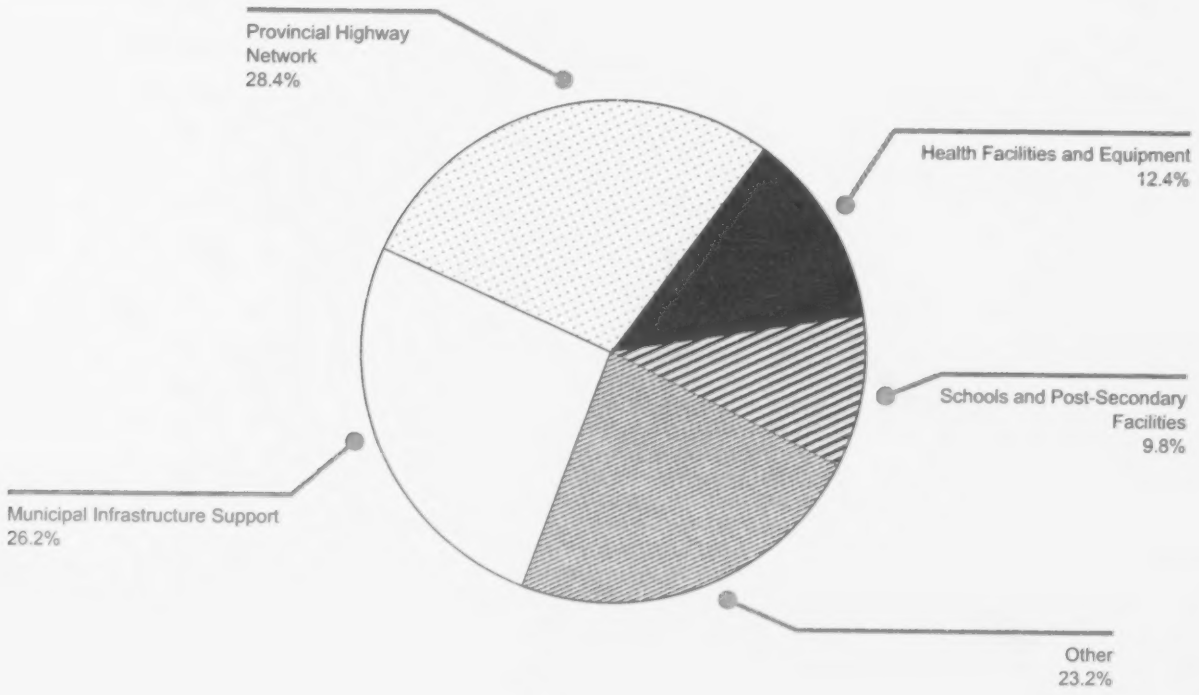
Capital Plan

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target	2010-13 Total
Municipal infrastructure support	1,567	1,495	1,623	**1,776**	1,718	1,756	5,250
Provincial highway network	1,712	1,842	1,901	**1,866**	2,183	1,644	5,693
Health facilities and equipment	970	369	310	**802**	916	769	2,487
Schools	677	761	718	**516**	185	284	985
Post-secondary facilities	879	490	708	**578**	251	145	974
Community facilities	376	80	93	**118**	109	104	331
Water and wastewater management	373	250	325	**167**	290	252	709
Housing	438	328	406	**352**	247	200	799
Government facilities, equipment and other capital	601	1,352	755	**1,033**	1,010	804	2,847
Unallocated provision	-	212	-	-	-	-	-
Total Capital Plan	7,593	7,179	6,839	**7,208**	6,909	5,958	20,075

2010–13 Capital Plan

$20.1 billion



Capital Investment in Government-Owned Capital[a]

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Legislative Assembly	2	2	3	**3**	3	3
Advanced Education and Technology	10	16	11	**8**	5	5
Agriculture and Rural Development	18	14	14	**14**	12	12
Children and Youth Services	1	2	2	**2**	2	2
Culture and Community Spirit	5	3	4	**3**	3	3
Education	4	1	5	**1**	1	1
Employment and Immigration	6	4	5	**4**	4	4
Energy	28	25	25	**28**	26	12
Environment	2	2	1	**1**	1	1
Finance and Enterprise	9	12	26	**32**	22	10
Health and Wellness	71	74	84	**78**	85	77
Housing and Urban Affairs	2	-	19	**68**	-	-
Infrastructure	228	599	369	**407**	285	155
Justice	4	4	3	**4**	2	2
Municipal Affairs	2	2	2	**1**	1	1
Seniors and Community Supports	5	1	1	**1**	1	1
Service Alberta	77	117	68	**133**	10	17
Solicitor General and Public Security	8	36	27	**25**	16	5
Sustainable Resource Development	48	26	37	**24**	16	16
Tourism, Parks and Recreation	44	18	24	**21**	18	18
Transportation	1,740	1,857	1,916	**1,881**	2,176	1,646
Treasury Board	-	-	-	**63**	251	170
Unallocated provision	-	212	-	**-**	-	-
Total Capital Investment	2,314	3,027	2,646	**2,802**	2,940	2,161

[a] Includes purchase of inventories. Not included in expense. Aboriginal Relations, Executive Council, and International and Intergovernmental Relations have no capital investment or the amount rounds to less than $1 million.

Grants for Capital Purposes and Other Capital Support[a]

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Advanced Education and Technology	879	490	708	**578**	251	145
Agriculture and Rural Development	35	42	40	**30**	33	33
Children and Youth Services	9	14	14	**15**	-	-
Culture and Community Spirit	248	45	55	**84**	54	44
Education	669	760	717	**513**	184	282
Energy	2	100	5	**100**	200	200
Environment	110	112	97	**94**	117	111
Health and Wellness	24	56	108	**96**	76	64
Housing and Urban Affairs	315	278	336	**234**	197	199
Infrastructure	908	299	143	**689**	788	704
Municipal Affairs	469	355	359	**828**	838	884
Seniors and Community Supports	121	51	51	**50**	50	-
Solicitor General and Public Security	1	-	1	**-**	-	-
Tourism, Parks and Recreation	73	9	9	**1**	1	1
Transportation	1,416	1,348	1,550	**1,084**	1,160	1,105
Treasury Board	-	193	-	**10**	20	25
Total Support	5,279	4,152	4,193	**4,406**	3,969	3,797

[a] Included in program expense. Includes support for provincial capital planning, accommodation, provincial highway systems work and government facilities preservation expense. Aboriginal Relations, Employment and Immigration, Executive Council, Finance and Enterprise, International and Intergovernmental Relations, Justice, Legislative Assembly, Service Alberta, and Sustainable Resource Development have no capital grants/support or the amount rounds to less than $1 million.

Comparison of the Capital Plan and Expense for Capital Purposes

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Capital Plan						
Capital grants	5,192	4,079	4,138	**4,339**	3,891	3,714
Other capital support[a]	87	73	55	**67**	78	83
Capital investment in government-owned assets	2,314	3,027	2,646	**2,802**	2,940	2,161
Total Capital Plan	7,593	7,179	6,839	**7,208**	6,909	5,958
Expense for Capital Purposes [b]						
Capital grants	5,192	4,079	4,138	**4,339**	3,891	3,714
Other capital support	87	73	55	**67**	78	83
Amortization of government-owned capital assets	578	706	676	**759**	792	809
Nominal sum disposals	45	68	34	**-**	-	-
Total Expense for Capital Purposes	5,902	4,926	4,903	**5,165**	4,761	4,606

[a] Includes support for capital planning, accommodation, provincial highway systems work and government facilities preservation expense.

[b] Included in program expense.

Capital Amortization for Government-Owned Capital[a]

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Legislative Assembly	1	1	1	1	1	1
Advanced Education and Technology	5	8	7	5	5	5
Agriculture and Rural Development	11	14	13	14	15	15
Children and Youth Services	2	4	4	4	4	4
Culture and Community Spirit	2	2	2	3	3	3
Education	2	1	1	1	1	1
Employment and Immigration	2	3	3	3	3	3
Energy	21	20	21	21	21	21
Environment	20	22	22	22	22	22
Finance and Enterprise	7	8	8	11	13	18
Health and Wellness	51	76	81	80	87	79
Housing and Urban Affairs	23	24	24	24	24	24
Infrastructure	67	77	78	82	100	102
Justice	7	8	8	8	8	8
Municipal Affairs	1	2	2	2	2	2
Seniors and Community Supports	1	1	1	1	1	1
Service Alberta	29	41	33	52	57	60
Solicitor General and Public Security	3	3	3	3	3	3
Sustainable Resource Development	9	15	15	16	17	17
Tourism, Parks and Recreation	11	13	13	19	18	18
Transportation	302	362	335	386	386	401
Treasury Board	1	1	1	1	1	1
Total Capital Amortization	578	706	676	759	792	809

[a] Includes consumption of inventories. Included in expense. Aboriginal Relations, Executive Council, and International and Intergovernmental Relations have no capital amortization or the amount rounds to less than $1 million.

Nominal Sum Disposals[a]

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Housing and Urban Affairs	19	19	7	-	-	-
Infrastructure	23	10	3	-	-	-
Sustainable Resource Development	1	13	12	-	-	-
Tourism, Parks and Recreation	-	1	10	-	-	-
Transportation	2	25	2	-	-	-
Total Nominal Sum Disposals	45	68	34	-	-	-

[a] Nominal sum disposals occur when assets are sold or disposed of for an amount substantially lower than the fair market value. The fair market value less any proceeds from the disposal of the asset is treated as a grant-in-kind expense.

Liabilities for Capital Projects

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Opening balance	439	880	880	2,903	4,425	5,664
Alternative financing (P3s)[a]	446	653	539	435	551	300
Direct borrowing	-	1,100	1,491	1,100	709	-
Principal repayment	(5)	(7)	(7)	(13)	(21)	(30)
Total Liabilities for Capital Projects	880	2,626	2,903	4,425	5,664	5,934

[a] P3s are public-private partnerships.

Retained Income of Funds and Agencies

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Alberta Treasury Branches	6	114	111	**99**	168	222
Agriculture Financial Services Corporation	159	165	(151)	**186**	194	212
Alberta Heritage Savings Trust Fund	(2,574)	-	-	**-**	-	-
Endowment funds						
Alberta Heritage Foundation for Medical Research	(337)	(38)	83	**12**	17	24
Alberta Heritage Science and Engineering Research	(173)	(7)	56	**18**	14	20
Alberta Heritage Scholarship	(172)	(20)	50	**12**	11	16
Alberta Cancer Prevention Legacy Fund	(2)	(15)	(3)	**(13)**	(10)	(10)
Other	128	24	36	**27**	58	111
Total Retained Income of Funds and Agencies	(2,965)	223	182	**341**	452	595

Other Cash Adjustments

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Energy royalties	1,490	(635)	355	**(746)**	(596)	(321)
Student loans	(32)	(50)	(68)	**(80)**	(66)	(51)
Other	67	6	118	**(42)**	(71)	(88)
Total Other Cash Adjustments	1,525	(679)	405	**(868)**	(733)	(460)

Capital Cash Adjustments

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Requirements						
Capital investment	(2,314)	(3,027)	(2,646)	**(2,802)**	(2,940)	(2,161)
Principal repayment for alternatively-financed projects	(5)	(7)	(7)	**(13)**	(21)	(30)
Total Requirements	(2,319)	(3,034)	(2,653)	**(2,815)**	(2,961)	(2,191)
Sources						
Capital amortization	578	706	676	**759**	792	809
Net book value of capital asset disposals	28	41	6	**2**	-	23
Alternatively-financed capital investment	286	340	294	**355**	473	263
Alternatively-financed capital grants	161	-	245	**80**	78	38
Direct borrowing	-	1,100	1,491	**1,100**	709	-
Total Sources	1,053	2,187	2,712	**2,296**	2,052	1,133
Total Capital Cash Adjustments	(1,266)	(847)	59	**(519)**	(909)	(1,058)

Balance Sheet Details

(millions of dollars)

	At March 31				
	2009 Actual	2010 Forecast	2011 Estimate	2012 Target	2013 Target
Financial Assets					
Heritage Fund equity	13,838	13,838	**14,129**	14,410	14,699
Endowment funds					
Alberta Heritage Foundation for Medical Research	1,174	1,257	**1,269**	1,286	1,310
Alberta Heritage Science and Engineering Research	658	714	**731**	745	764
Alberta Heritage Scholarship	645	695	**707**	717	733
Alberta Cancer Prevention Legacy Fund	485	482	**469**	459	449
Alberta Enterprise Corporation	100	101	**102**	105	107
Sustainability Fund	16,822	14,983	**8,216**	4,704	2,808
Debt Retirement Account	1,175	1,107	**843**	503	255
Self-supporting lending organizations					
Alberta Capital Finance Authority	6,976	8,028	**8,998**	9,816	9,984
Agriculture Financial Services Corporation	2,259	2,268	**2,485**	2,878	3,269
Other financial assets					
Equity in commercial enterprises	2,345	2,479	**2,630**	2,887	3,214
Student loans	256	326	**408**	476	531
Other cash, marketable securities and accounts receivable	7,318	5,559	**6,093**	6,755	7,334
Total Financial Assets	54,051	51,837	**47,080**	45,741	45,457
Liabilities					
Accumulated debt					
General Revenue Fund	1,990	2,117	**2,061**	1,950	1,901
Alberta Social Housing Corporation	278	254	**229**	202	173
School construction loans	204	160	**123**	91	66
Less General Revenue Fund holdings of provincial corporations' debt	(1,312)	(1,439)	**(1,585)**	(1,755)	(1,900)
Accumulated debt	1,160	1,092	**828**	488	240
Pension liabilities	10,081	9,498	**10,042**	10,581	11,100
Self-supporting lending organizations					
Alberta Capital Finance Authority	6,976	8,028	**8,998**	9,816	9,984
Agriculture Financial Services Corporation	1,448	1,654	**1,694**	1,895	2,075
Liabilities for capital projects	880	2,903	**4,425**	5,664	5,934
Other liabilities					
Pre-1992 Teachers' Pension Plan loan	-	1,186	**1,186**	1,186	1,186
Accounts and interest payable	6,390	6,554	**6,313**	6,334	6,494
Guarantees, indemnities and remissions	1	5	**5**	5	5
Other accrued liabilities	242	210	**215**	220	230
Total Liabilities	27,178	31,130	**33,706**	36,189	37,248
Net Financial Assets	26,873	20,707	**13,374**	9,552	8,209
Capital assets	15,848	17,787	**19,828**	21,976	23,305
Net Assets	42,721	38,494	**33,202**	31,528	31,514
Adjustment for pension liabilities	10,081	9,498	**10,042**	10,581	11,100
Net Assets for Fiscal Policy Purposes[a]	52,802	47,992	**43,244**	42,109	42,614

[a] Under the *Fiscal Responsibility Act*. Excludes pension liabilities, the equity in SUCH sector organizations and Alberta Innovates corporations.

Capital Assets

(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Net book value at start of year	14,140	15,848	**17,787**	19,828	21,976
Capital investment	2,314	2,646	**2,802**	2,940	2,161
Capital amortization	(578)	(676)	**(759)**	(792)	(809)
Net book value of capital asset disposals	(28)	(6)	**(2)**	-	(23)
Alberta Research Council adjustment[a]	-	(25)	**-**	-	-
Net Book Value of Capital Assets at End of Year	15,848	17,787	**19,828**	21,976	23,305

[a] The assets have been transferred to the new Alberta Innovates corporations.

Accumulated Debt

(millions of dollars)

	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Accumulated debt at start of year	1,784	1,160	**1,092**	828	488
Repayment of debt maturities	(624)	(68)	**(264)**	(340)	(248)
Accumulated debt at end of year	1,160	1,092	**828**	488	240
Less Debt Retirement Account	1,175	1,107	**843**	503	255
Accumulated Debt less Debt Retirement Account[a]	(15)	(15)	**(15)**	(15)	(15)

[a] The assets in the Debt Retirement Account exceed unmatured accumulated debt by $15 million.

Pension Liabilities

(millions of dollars)

	At March 31					
	2009 Actual	2010 Budget	2010 Forecast	2011 Estimate	2012 Target	2013 Target
Teachers' Pension Plan - post-1992 unfunded liabilities	300	324	383	**452**	516	560
Teachers' Pension Plan - pre-1992 unfunded liabilities	8,478	8,669	7,528	**7,778**	8,028	8,278
Public Service Management (Closed) Pension Plan[a]	650	594	623	**596**	569	542
Local Authorities Pension Plan	186	396	401	**590**	779	968
Universities Academic Pension Plan - pre-1992	266	277	274	**282**	290	298
Management Employees Pension Plan	35	213	93	**136**	179	222
Special Forces Pension Plan - pre-1992	112	122	116	**120**	124	128
Members of the Legislative Assembly Pension Plan[a]	50	47	48	**46**	44	42
Public Service Pension Plan	-	138	21	**24**	27	30
Provincial Judges and Masters in Chambers Pension Plan	4	4	11	**18**	25	32
Total Pension Liabilities	10,081	10,784	9,498	**10,042**	10,581	11,100

[a] Membership for the plans is closed and pensionable service is no longer being accrued.

General Revenue Fund Term Debt Maturities [a]

(millions of dollars)

	Par Amount (Cdn$ millions)	Coupon Rate (%)	Maturity Date
2010-11 Term Debt Maturities			
1991 Canada Pension Plan debenture	**202**	10.45	March 1, 2011
2011-13 Term Debt Maturities			
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013
Total	**679**		

[a] Does not include principal repayment on General Revenue Fund notes on-lent to provincial corporations (Agriculture Financial Services Corporation and Alberta Social Housing Corporation). There is no more direct General Revenue Fund debt left after March 1, 2013. Other components of accumulated debt include:

a) Alberta Social Housing Corporation debt of $254 million at March 31, 2010; $173 million of which remains to be repaid from 2013–2030.

b) School construction loans of $160 million at March 31, 2010; $66 million of which remains to be repaid from 2013–2020.

The Debt Retirement Account has assets to repay all these amounts.

Loans and Advances [a]

(millions of dollars)

	At March 31	
	2009 Actual	2010 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,198	1,349
Student Financial Assistance Act	351	430
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	177	173
Vencap Acquisition Corporation	3	3
Farm Credit Stability Act	1	-
Alberta Housing Act	5	3
Financial Administration Act		
Accountable advances	11	11
	1,746	1,969
Allowance for doubtful loans, advances, implemented guarantees and indemnities [a]		
Ridley Grain Ltd.	(44)	(44)
Student Loan Relief Completion Payments	(55)	(71)
Other	(54)	(62)
	(153)	(177)
Total Loans and Advances	1,593	1,792

[a] When a loan is considered to be impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Net Financial Requirements[a]

(millions of dollars)

	2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
Accumulated Debt Financing Requirements						
General Revenue Fund term debt maturities	550	-	-	**202**	281	196
School construction loans repayments	52	44	44	**37**	32	26
Alberta Social Housing Corporation debt repayment	22	24	24	**25**	27	26
Total	624	68	68	**264**	340	248
Direct borrowing for capital purposes	-	1,100	1,491	**1,100**	709	-
Pre-1992 Teachers' Pension Plan loan repayment	-	-	1,186	**-**	-	-
Agriculture Financial Services Corporation's term borrowing	334	75	200	**470**	285	220
Gross financing requirements	958	1,243	2,945	**1,834**	1,334	468
Less cash applied to accumulated debt repayment	(624)	(68)	(68)	**(264)**	(340)	(248)
Net Term Debt Financing Requirements	334	1,175	2,877	**1,570**	994	220

[a] Does not include financing requirements of the Alberta Capital Finance Authority and Alberta Treasury Branches.

Guarantees

(millions of dollars)

	At March 31	
	2009 Actual	2010 Forecast
Guarantees		
Student Financial Assistance Act	8	6
Alberta Housing Act	13	11
Feeder Associations	50	51
Agriculture Financial Services Act	14	13
Farm Credit Stability Act	1	-
Securities Act	2	2
University of Calgary	1	1
	89	84
Provision for loan defaults under guarantee	(1)	(1)
Total Guarantees	88	83

2010–11 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue [a]	1,294,116
Aboriginal Relations	
First Nations Development Fund	118,000
First Nations Relations	200
Advanced Education and Technology	
Capital Maintenance and Renewal	65,000
Capital Expansion and Upgrading	40,000
Agriculture and Rural Development	
Agricultural Service Boards	10,600
Agricultural Societies	8,670
Agriculture Initiatives	1,450
Children and Youth Services	
Family and Community Support Services	45,000
Fetal Alcohol Spectrum Disorder Initiatives	12,000
Prevention of Family Violence and Bullying	6,500
Culture and Community Spirit	
Community Facility Enhancement Program	38,000
Alberta Foundation for the Arts	29,200
Community Initiatives Program	25,500
Major Fairs and Exhibitions	22,000
Film and Television Production	16,500
Community Spirit Donation Grant Program	16,000
Support for the Mount Royal Conservatory of Music	10,000
Alberta Historical Resources Foundation	8,000
Bingo Associations	6,600
Human Rights Education and Multiculturalism Fund	1,725
Other Initiatives	6,500
Education	
School Facilities Infrastructure	113,600
Employment and Immigration	
Summer Temporary and Other Employment Programs	7,413
Settlement and Integration	4,574
Environment	
Conservation and Education	500
Health and Wellness	
Alberta Health Services	285,497
Human Tissue and Blood Services	125,000
Community-based Health Services	10,000
Municipal Affairs	
Municipal Sustainability Operating Grants	26,000
Solicitor General and Public Security	
Horse Racing and Breeding Renewal Program	25,000
Gaming Research	1,600
Tourism, Parks and Recreation	
Alberta Sport, Recreation, Parks and Wildlife Foundation	23,279
Transportation	
Municipal Water Wastewater Program/ Water for Life	100,000
Provincial Highways Preservation	30,000
Alberta Cities Transportation Partnerships	30,000
Rural Transportation Partnerships	24,208
Total Lottery Fund Allocation	**1,294,116**

[a] Includes $2 million of interest income.

Full-Time Equivalent Employment

	2009-10 Budget	2010-11 Estimate	Change
Legislative Assembly	542	542	-
Aboriginal Relations	106	98	(8)
Advanced Education and Technology [a]	1,200	594	(606)
Agriculture and Rural Development	1,659	1,652	(7)
Children and Youth Services	2,917	2,861	(56)
Culture and Community Spirit	545	530	(15)
Education	701	701	-
Employment and Immigration	2,016	2,016	-
Energy	1,818	1,819	1
Environment	891	891	-
Executive Council	180	180	-
Finance and Enterprise	1,276	1,275	(1)
Health and Wellness [b]	937	786	(151)
Housing and Urban Affairs	149	149	-
Infrastructure	830	830	-
International and Intergovernmental Relations	168	155	(13)
Justice	2,984	2,984	-
Municipal Affairs	424	416	(8)
Seniors and Community Supports	2,000	1,979	(21)
Service Alberta	1,800	1,390	(410)
Solicitor General and Public Security	3,034	2,958	(76)
Sustainable Resource Development	2,001	1,889	(112)
Tourism, Parks and Recreation	651	641	(10)
Transportation	964	960	(4)
Treasury Board	335	321	(14)
Total Full-Time Equivalent Employment	30,128	28,617	(1,511)

[a] 585 FTEs from the Alberta Research Council Inc. and 4 FTEs from iCORE Inc. have been transferred to the Alberta Innovates corporations effective January 1, 2010.

[b] 127 FTEs will be transferred to Alberta Health Services effective April 1, 2010 and will no longer be reported as Government FTEs.

Premiums, Fees and Licences Changes

	2009-10	2010-11
Tourism, Parks and Recreation		
Summer cottage lot leases		
Yearly rentals	$500-$600	$600-$700
Waterfront (per foot)	$3	$4
Premium camping fee surcharge	$0	$3
Facility replacement and development levy		
Groups	$10	$15
Visitor service fees		
Bus tours and other program organizations	$50 - $200	$50 - $250
Adults and youths	$6 - $25	$7 - $40
In-park program delivered by park staff		
Hourly rates per student	$2 - $3.50	$2 - $5
Hourly rates per class	$35 - $100	$40 - $100
Weekly rates	$125 - $160	$600 - $1,500
In-park program delivered by teachers		
Hourly rates per student	$1.50 - $3	$3 - $8
Learning enrichment and other programs	various	10% increase
Dinosaur Lodge and Conference Centre rentals		
Accommodation (per person per night)	$0	$30 - $100
Conference centre (per group per day)	$0	$200 - $1,000
Canmore Nordic Centre facilities	$0	$5 - $250
Canmore Nordic Centre meeting room rental		
Meeting rooms	$32 - $214	$25 - $500
Team rooms (not for profit)	$11 - $161	$15 - $200
Team rooms (others)	$50 - $700	$55 - $770
Canmore Nordic Centre facility rental rates		
Stadium and equipment (not for profit)	$91 - $546	$75 - $600
Stadium and equipment (others)	$187 - $1,124	$150 - $1,200
PA System (not for profit)	$16 - $80	$50 - $80
PA system (others)	$32 - $161	$100 - $161
Canmore Nordic Centre ski fees		
Adults and youths	$6 - $108	$7.50 - $150
Seniors	$6 - $87	$7.50 - $125
Family (2 members) per season	$166	$200
Family (3 or more members) per season	$224	$250
Health and Wellness		
Seniors drug plan premium - single (maximum per month)	$0	$63.50
Seniors drug plan premium - families (maximum per month)	$0	$118
Non-group health benefit premium - single (maximum per month)	$41	$63.50
Non-group health benefit premium - families (maximum per month)	$82	$118

Major Provincial Tax Rates, 2010

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	5.06	11.00	10.80	5.05	16.00 [a]	9.30	8.79	9.80	7.70
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 [a]	14.30	17.50	16.70	15.50
Surtax	(%)	-	-	-	-	20/36	-	-	10.0	10.0	-
Combined federal/provincial top marginal rate [b]	(%)	39.00	43.70	44.00	46.40	46.41	48.22	43.30	48.25	47.37	44.50
Personal amount	($)	16,825	11,000	13,348	8,134	8,943	10,505	8,777	8,231	7,708	7,833
Spousal amount	($)	16,825	9,653	13,348	8,134	7,594	10,505	7,453	6,989	6,546	6,400
Corporate Income Tax											
General rate	(%)	10.0	10.5	12.0	12.0	12.0 [d]	11.9	11.0 [e]	16.0	16.0	14.0
M&P rate	(%)	10.0	10.5	10/12 [c]	12.0	10.0 [d]	11.9	11.0 [e]	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	2.5	4.5	- [f]	4.5 [d]	8.0	5.0	5.0	1.0	5.0
- threshold	($000)	500	500	500	400	500	500	500	400	500	500
Capital Tax											
General	(max.%)	-	-	-	0.2	- [d]	0.12	-	0.1 [g]	-	-
Financial institutions	(max.%)	-	- [h]	3.25	3.0	- [d]	0.49 [i]	3.0	4.0	5.0	4.0
Sales Tax	(%)	-	7.0	5.0	7.0	8.0	7.5 [j]	8.0	8.0	10.0 [j]	8.0
Gasoline Tax	(cents/litre)	9.0	19.0 [k]	15.0	11.5	14.7 [l]	15.2 [k, l]	10.7 [l]	15.5 [l]	15.8 [m]	16.5 [l]
Tobacco Tax	(dollars/carton)	40.00	37.00 [l]	36.60 [l]	37.00 [l]	24.70 [l]	20.60	23.50 [l]	43.04 [l]	44.90	36.00 [l]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26 [n]	-	-	-	2.00

Rates for other provinces known as of January 20, 2010.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The top federal personal income tax rate is 29%, except in Quebec where the top federal rate is 24.22% because of the federal abatement.

[c] The general corporate income tax rate is reduced by up to 2 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[d] Ontario will cut its general corporate income tax rate from 14% to 12%, its manufacturing and processing rate from 12% to 10%, and its small business rate from 5.5% to 4.5% on July 1, 2010. The province will also eliminate its capital taxes on general corporations and financial institutions on July 1, 2010.

[e] New Brunswick's general corporate income tax rate will fall from 12% to 11% on July 1, 2010.

[f] Manitoba will reduce its small business tax rate to zero on December 1, 2010.

[g] Nova Scotia will reduce its Large Corporations Tax from 0.15% to 0.10% on July 1, 2010.

[h] British Columbia will eliminate its Corporation Capital Tax for financial institutions on April 1, 2010, but will subsequently levy a financial institutions minimum tax of 1% of paid-up capital.

[i] Quebec's financial institutions capital tax includes a base rate of 0.24% and a compensatory tax of 0.25%.

[j] These provinces apply their sales tax on the retail price of the good inclusive of the Goods and Services Tax.

[k] The British Columbia rate is 14.5 ¢/litre plus the carbon tax on gasoline, which is 3.33 ¢/litre until June 30, 2010, after which it will rise to 4.45 ¢/litre. An additional 6 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 1.5 ¢/litre in Montreal.

[l] These provinces apply their retail sales tax or the provincial portion of their harmonized sales tax on the retail price of the good inclusive of the particular excise tax.

[m] This rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price and is calculated on a monthly basis. The total tax rate is capped at 15.8 ¢/litre.

[n] Quebec levies an additional tax of up to 2% on the wages of financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2008-09 Actual	2009-10 Estimates	2010-11	2011-12	2012-13
Prices					
Crude Oil Price					
WTI (US$/bbl)	85.94	69.95	78.75	83.50	89.50
Alberta Wellhead (Cdn$/bbl)[a]	82.82	67.40	72.20	76.48	82.00
Bitumen @ Cold Lake (Cdn$/bbl)[b]	61.54	49.36	56.38	59.79	64.07
Natural Gas Price					
Alberta Reference Price (Cdn$/GJ)	6.97	3.40	4.25	5.25	5.50
Production					
Conventional crude oil (000s barrels/day)	497	454	424	419	419
Raw bitumen (000s barrels/day)	1,292	1,528	1,771	1,972	2,140
Natural gas (billions of cubic feet)	4,903	4,682	4,284	4,040	3,858
Interest rates					
3-month Canada treasury bills (per cent)	1.74	0.25	1.30	3.30	4.00
10-year Canada bonds (per cent)	3.40	3.45	4.05	4.70	5.00
Exchange Rate (US¢/Cdn$)	89.59	91.67	95.00	95.00	95.00

Calendar Year Assumptions	2009 Actual	2010	2011	2012	2013
Gross Domestic Product					
Nominal (millions of dollars)	240,156[c]	259,165	278,882	297,382	317,126
per cent change	-17.5	7.9	7.6	6.6	6.6
Real (millions of 2002 dollars)	181,114[c]	185,875	191,301	196,980	203,069
per cent change	-2.5	2.6	2.9	3.0	3.1
Other Indicators					
Employment (thousands)	1,988	2,003	2,043	2,084	2,120
per cent change	-1.3	0.8	2.0	2.0	1.7
Unemployment rate (per cent)	6.6	6.6	6.0	5.3	4.9
Average Weekly Earnings (per cent change)	3.2[c]	3.0	3.0	3.2	3.2
Personal Income (per cent change)	1.3[c]	3.4	5.6	7.1	6.6
Corporate Profits (per cent change)	-58.2[c]	34.1	17.7	6.8	8.6
Housing starts (number of units)	19,217[d]	23,100	24,200	25,400	26,200
Alberta Consumer Price Index (per cent change)	-0.1	2.0	2.1	2.1	2.1
Population (thousands)	3,688	3,744	3,806	3,871	3,938
per cent change	2.6	1.5	1.7	1.7	1.7

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.

[b] The bitumen price is an estimate of the price at Cold Lake and is not an actual market price.

[c] Alberta Finance and Enterprise estimate.

[d] Preliminary actual.

Sensitivities to Fiscal Year Assumptions, 2010–11[a]

(millions of dollars)

	Change	Net Impact (2010-11)
Oil Price (WTI US$/bbl)	-$1.00	-186
Natural Gas Price (Cdn$/GJ)	-10 Cents	-93
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-215
Interest Rates	+1%	-141
Equity Market Returns	-1%	-74
Personal Income	-1%	-127

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1993–94 to 2012–13[a]

(millions of dollars)

		1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 Actual	2009-10 Forecast	2010-11 Estimate	2011-12 Target	2012-13 Target
	INCOME STATEMENT																				
	Revenue																				
1	Personal income tax[b]	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677	7,622	8,271	8,708	7,933	8,648	9,267	10,067
2	Corporate income tax	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917	3,606	4,695	4,252	3,300	3,113	3,793	4,442
3	Education property tax	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283	1,330	1,393	1,466	1,536	1,592	1,624	1,656
4	Other tax revenue	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990	2,138	2,180	2,175	2,138	2,200	2,287	2,366
5	Natural resource revenue	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347	12,260	11,024	11,915	6,012	7,315	9,344	10,358
6	Investment income	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,809	2,348	3,013	2,414	(1,917)	3,454	1,947	1,959	2,089
7	Other own-source revenue	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,378	4,588	4,971	5,144	5,027	4,198	4,059	4,313	4,535
8	Total own-source revenue	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150	34,940	35,121	31,626	28,571	28,874	32,587	35,513
9	Federal transfers	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392	3,077	3,048	4,185	4,970	5,090	4,715	4,726
10	**Total revenue**	**15,406**	**16,164**	**15,515**	**16,652**	**17,754**	**16,819**	**20,103**	**25,527**	**21,926**	**22,662**	**25,887**	**29,328**	**35,542**	**38,017**	**38,169**	**35,811**	**33,541**	**33,964**	**37,302**	**40,239**
	Expense by Function[c]																				
11	Health	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,880	12,281	13,107	13,401	15,813	15,905	16,511
12	Basic and Advanced Education	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,900	7,817	8,884	9,411	9,473	9,325	8,733	9,056
13	Social Services	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,707	2,879	3,117	3,418	3,830	3,902	3,916	4,031
14	Other Program expense	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,731	5,963	7,427	7,716	8,936	10,519	10,238	9,336	9,496	9,728
15	Total program expense	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,292	33,218	36,455	36,942	38,376	38,050	39,326
16	Debt servicing costs	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	215	214	208	223	336	387	408
17	**Total expense**	**16,777**	**15,226**	**14,364**	**14,163**	**15,095**	**15,725**	**17,312**	**18,956**	**20,845**	**20,529**	**21,751**	**24,153**	**26,991**	**29,507**	**33,432**	**36,663**	**37,165**	**38,712**	**38,437**	**39,734**
18	**Surplus (Deficit)**	**(1,371)**	**938**	**1,151**	**2,489**	**2,659**	**1,094**	**2,791**	**6,571**	**1,081**	**2,133**	**4,136**	**5,175**	**8,551**	**8,510**	**4,737**	**(852)**	**(3,624)**	**(4,748)**	**(1,135)**	**505**
19	**CAPITAL PLAN**[d]	1,138	891	939	821	1,310	1,256	1,878	2,091	2,860	997	1,659	2,842	3,743	4,769	6,971	7,593	6,839	7,208	6,909	5,958
	BALANCE SHEET																				
20	Net financial assets (debt)[e]	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,398	28,318	36,047	39,410	26,873	20,707	13,374	9,552	8,209
21	Capital assets[f]	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552	12,429	14,140	15,848	17,787	19,828	21,976	23,305
22	Net Assets (Debt)[e]	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,319	39,870	48,476	53,550	42,721	38,494	33,202	31,528	31,514
23	Pension obligations	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435	5,593	7,883	10,081	9,498	10,042	10,581	11,100
24	Accumulated debt[g]	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730									
25	Sustainability Fund assets[h]											2,500	3,498	4,083	7,653	7,653	9,848	14,983	8,216	4,704	2,808
26	Capital Account assets[h]										910	1,180	674	4,243	6,091	7,472	6,974				

[a] Numbers have been restated on 2010-11 basis where possible. Beginning in 2007-08, external investment management fees are no longer netted against revenue, increasing both revenue and expense by $156 million in 2007-08, $173 million in 2008-09, $156 million in 2009-10 and $137 million in 2010-11.

[b] The costs of the Alberta energy tax refund ($345 million in 2000-01; $320 million in 2001-02) and the 2005 Resource Rebate ($1.3 billion in 2005-06) were netted against personal income tax.

[c] Excludes change in pension liabilities. Beginning in 1996-97, valuation adjustments are allocated by function rather than included in other program expense.

[d] Reflects capital grants and other capital support included in expense, and capital investment in government-owned assets not included in expense. Capital investment adds to capital assets, which are depreciated over time through amortization expense.

[e] Excludes pension liabilities, equity in SUCH organizations and Alberta Innovates corporations. Net debt was reduced by $125 million in1993-94 to record personal tax and EPF entitlements on accrual basis, and increased by $32 million in 1995-96 to report some other revenue on accrual basis.

[f] Capital assets in 1994-95 exclude the disposal of $449 million in capital assets (primarily the transfer of secondary highways to municipalities) and in 2000-01 and 2001-02 include transfers of $587 million and $1.8 billion respectively of secondary highways from municipalities to the Province.

[g] Net of cash set aside for debt repayment. In 2001-02, the amount of $5,261 million includes commitment of $414 million to debt retirement from higher-than-expected year-end surplus, which was transferred in 2002-03 from other assets.

[h] The Capital Account was consolidated with the Sustainability Fund in 2009-10.

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CAPITAL PLAN 2010–13

BUDGET 2010

Striking the Right Balance

CAPITAL PLAN 2010–13

BUDGET 2010
Striking the Right Balance

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CAPITAL PLAN 2010–13

HIGHLIGHTS

- Significant investments in capital will continue to be made, $20.1 billion over three years, to support the economy and help keep Albertans working;
- Favorable pricing has allowed the Province to keep its commitment to all approved projects and to meet infrastructure demands with fewer resources;
- With lower costs and deferring some program funding where the impact was minimal, a decrease of $3.1 billion or 13.3% over last year's Capital Plan was achieved;
- Direct borrowing, which includes Capital Bonds, for infrastructure projects while interest rates are low, and
- Continued provincial contributions to federal stimulus programs.

The Government of Alberta will continue to invest in public infrastructure as part of the plan for a strong economic recovery and $20.1 billion is planned to be spent on capital projects over the next three years. Guided by the government's *20-Year Strategic Capital Plan*, this investment will support the infrastructure needed to deliver the core public services that are important to Albertans. This includes health facilities, schools, water systems, safe highways and roads, post-secondary institutions, and assistance toward the development of municipal infrastructure.

The 2010-13 Capital Plan represents a $20.1 billion investment in infrastructure over the next three years.

Capital Plan Details By Category
(millions of dollars)

	2010-11 Estimate	2011-12 Target	2012-13 Target	3-year Total
Municipal infrastructure support	1,776	1,718	1,756	5,250
Provincial highway network	1,866	2,183	1,644	5,693
Health facilities and equipment	802	916	769	2,487
Schools	516	185	284	985
Post-secondary facilities	578	251	145	974
Community facilities	118	109	104	331
Water and wastewater management	167	290	252	709
Housing	352	247	200	799
Government facilities/other capital	1,033	1,010	804	2,847
Total Capital Plan	**7,208**	**6,909**	**5,958**	**20,075**

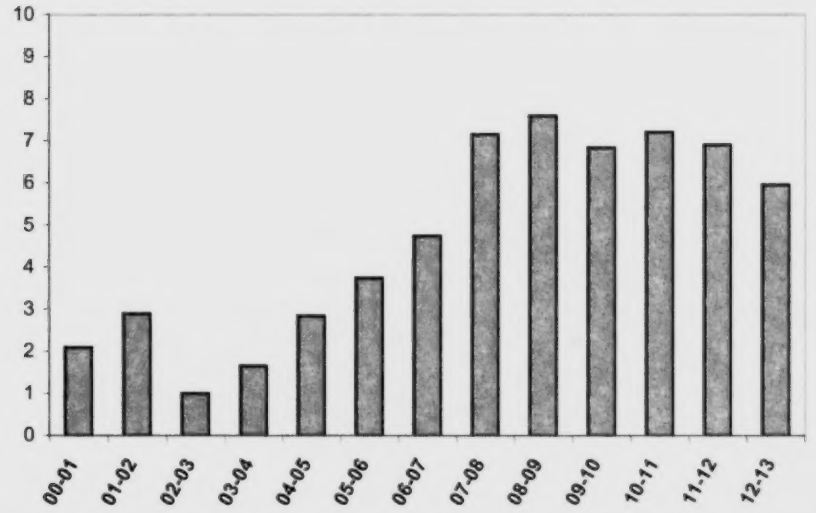
Capital spending will remain a priority for Alberta, and all capital commitments will continue to be met.

The downturn in the economy presented challenges in providing infrastructure to serve a growing province during a time period characterized by declining revenues. Yet Alberta maintained capital spending as a priority and continues to be a leader in that regard, almost doubling the average of other provinces on a per capita basis. Lower costs experienced in the construction sector have played a major role in allowing government to keep all of its commitments to approved capital projects and to do more with the resources available. As with all of its programs, Alberta will continue to approach its capital spending in a disciplined manner to deliver on the highest infrastructure priorities and to obtain the best value for the dollar.

Alberta will take advantage of its strong credit rating to borrow at the lowest rates possible while interest rates are at historic lows. Different forms of capital financing, including public-private partnerships (P3s) and direct borrowing, will be used to deliver projects in a fiscally responsible manner that will ease reliance on cash reserves while minimizing the cost of debt.

For most of the past decade, there has been a steady increase in the number and value of capital projects undertaken across the province and in the amount spent to support them. This was necessary to meet the demands of exceptionally strong population and economic growth, particularly over the last few years. However, such levels of spending are not sustainable over the long term, and the economic slowdown has instigated a return to more tenable expenditure levels going forward.

Province's Support for Capital Infrastructure
(billions of dollars)



The 2010-13 Capital Plan represents a $3.1 billion, or 13.3%, decrease from the 2009-12 Capital Plan published in *Budget 2009*. The Plan still represents a significant pledge to infrastructure development by any standard, and averages $6.7 billion per year.

All previous capital commitments will be met. The most substantial reductions to the Plan are a result of lower construction costs and deferring funding for some programs. Construction prices have softened with increased competition and labor availability, and in some instances contract tenders have been lower by 10 to 20% compared to recent years. As part of the budget process, all capital projects were reviewed and funding profiles were updated to reflect current market conditions and planned completion dates. *Budget 2010* will continue to deliver an ambitious capital infrastructure program, while managing scarce resources.

Construction costs have come down compared to recent years.

The budget process review also resulted in the deferral of funding for some programs to future years, where feasible, with little or no impact on program delivery. Programs such as Carbon Capture and Storage and the Green Transit Incentives Program (GreenTRIP), both in their infancy in terms of implementation, are two examples of this. The Municipal Sustainability Initiative (MSI) will also remain fully funded, although some funding is deferred to the latter years of the program. This approach ensures continued investment in public infrastructure remains intact and represents the most effective use of available resources over time.

Comparison of 2009–12 and 2010–13 Capital Plans
(millions of dollars)

	2009-12 Budget 2009	2010-13 Budget 2010	Dollar Change
Municipal infrastructure support	5,618	5,250	(368)
Provincial highway network	5,806	5,693	(113)
Health facilities and equipment	2,951	2,487	(464)
Schools	1,677	985	(692)
Post-secondary facilities	1,216	974	(242)
Community facilities	260	331	71
Water and wastewater	715	709	(6)
Housing	1,018	799	(219)
Government facilities/other capital	3,893	2,847	(1,046)
Total Capital Plan	**23,154**	**20,075**	**(3,079)**

Some of the more significant changes to spending areas are highlighted below:

Three-year capital spending has been reduced, mainly due to lower construction costs and reprofiling some programs to future years.

- **Municipal infrastructure support** – reprofiling MSI grants to future years and the expiration of the Alberta Municipal Infrastructure Program;
- **Health facilities** – lower project costs and reprofiling some grants to future years to better align with the service delivery goals of *Vision 2020*;
- **Schools** – near completion of Phase One of the Alberta Schools Alternative Procurement project, and reduced cost estimates for Phase Two;
- **Post-secondary facilities** – winding down construction on major projects such as the SAIT Trades and Technology Complex;
- **Housing** – reprofiling some grants to future years, and
- **Government facilities, equipment and other capital** – reprofiling Carbon Capture and Storage grants and winding down construction on major projects such as the Edmonton Remand Centre.

The Capital Plan directly supports the government's five priorities, as illustrated by the following examples:

ENSURE ALBERTA'S ENERGY RESOURCES ARE DEVELOPED IN AN ENVIRONMENTALLY SUSTAINABLE WAY, through:

- Supporting research, development, and implementation of innovative technologies through the new Carbon Capture and Storage initiative, and
- Providing a safe and secure water supply through the Alberta Municipal Water/Wastewater Program and the *Water for Life* strategy.

INCREASE ACCESS TO QUALITY HEALTH CARE AND IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF HEALTH CARE SERVICE DELIVERY, through:

- Enhancing capacity in areas such as ambulatory, diagnostic, emergency and surgical care, and
- Enhancing health information systems and providing funds for vaccine purchases.

PROMOTE STRONG AND VIBRANT COMMUNITIES AND REDUCE CRIME SO ALBERTANS FEEL SAFE, through:

This Capital Plan supports government's five priorities.

- Continuation of the commitment to develop more than 11,000 affordable housing units and implementing the 10-year strategic plan to end homelessness in Alberta, and
- Expanding and upgrading community facilities through the Community Facility Enhancement Program.

ENHANCE VALUE-ADDED ACTIVITY, INCREASE INNOVATION, AND BUILD A SKILLED WORKFORCE TO IMPROVE THE LONG-RUN SUSTAINABILITY OF ALBERTA'S ECONOMY, through:

- Promoting a unique approach to scientific discovery through the completion of the Centennial Centre for Interdisciplinary Science at the University of Alberta, and
- Enhancing research and teaching capacity through the construction of the Energy, Environment, and Experiential Learning Building at the University of Calgary.

PROVIDE THE ROADS, SCHOOLS, HOSPITALS AND OTHER PUBLIC INFRASTRUCTURE TO MEET THE NEEDS OF A GROWING ECONOMY AND POPULATION, through:

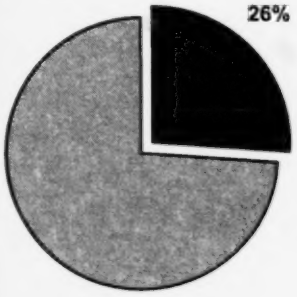
- Providing municipalities with stable and sustainable funding through the Municipal Sustainability Initiative to help address growth pressures;
- Funding the construction of new schools through Phases One and Two of the Alberta Schools Alternative Procurement (ASAP) project, and
- Strengthening the province's highway network and continuing to construct the ring roads in Calgary and Edmonton.

The Capital Plan is broken down into nine priority areas, each representing a distinct infrastructure sector supported by the Province. All projects and programs are classified into one of these categories for planning and reporting purposes. The following is a brief summary of each category for *Budget 2010*.

MUNICIPAL INFRASTRUCTURE SUPPORT

The development of public infrastructure at the municipal level is central to providing core services and maintaining a high quality of life for Albertans. Government remains committed to providing Alberta's municipalities with long-term sustainable funding for all types of local infrastructure. The cornerstone program for support to municipalities is the Municipal Sustainability Initiative (MSI). Additional funding through programs under Canada's Economic Action Plan and other provincial programs have also contributed to the delivery of projects at the community level.

Municipal Infrastructure Support *represents 26%, or $5.2 billion of the 2010-13 Capital Plan.*



MAJOR 2009-10 ACCOMPLISHMENTS

$1.6 billion is forecast for 2009-10, including the following accomplishments:

- Through various municipal grant programs administered by Alberta Transportation, approximately 360 municipalities are forecast to receive over $1.2 billion to support over 2,200 active capital projects ranging from the construction or rehabilitation of roads and bridges, to work on water, sewer and storm drainage lines. Notable projects include LRT extensions in Edmonton and Calgary, some 65 resource road projects and the purchase of public transit vehicles, and
- The Municipal Sustainability Initiative provided $354 million in capital grants to municipalities to help address their infrastructure needs. Some examples include:
  - Purchase and retrofit of a building to centralize various Calgary Police services;
  - Construction of a regional water treatment plant for the Town of Raymond and the Village of Stirling;
  - Rehabilitation of Township Road 540 between the Summer Village of Silver Sands and Lac Ste. Anne County;
  - Construction of the Fort Edmonton footbridge across the North Saskatchewan River;
  - Construction of a storm water storage pond and replacement of water, wastewater and sewer lines in the Town of Bonnyville, and
  - Development of an infrastructure master plan for the Village of Delburne.

Over 2,200 projects benefited from over $1.2 billion of municipal transportation grants.

THE NEXT THREE YEARS

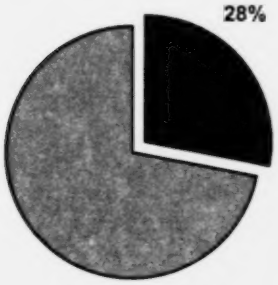
Over 2010-13, $5.2 billion will be provided to municipalities, and this support includes:

- $2.5 billion for capital grants under MSI to address core municipal infrastructure needs such as roads, bridges, and public transit;
- $1.1 billion for municipal transportation grants under several programs based on factors such as population, kilometres of open road and terrain;
- $600 million under the Federal Gas Tax Fund program, which has been extended four years to 2013-14, and returns a portion of the federal gasoline tax to the Province for distribution to municipalities;
- $470 million for GreenTRIP to support innovation in public transit;
- $457 million, representing federal and provincial government contributions for projects supported by the Building Canada plan and Infrastructure Stimulus Fund, and
- $59 million for roadway development at Parsons Creek and Saline Creek in Fort McMurray.

Provide $470 million for GreenTRIP to support innovation in public transit.

PROVINCIAL HIGHWAY NETWORK

Provincial Highway Network *represents 28%, or $5.7 billion of the 2010-13 Capital Plan.*



Alberta's roadways are essential to continued economic growth - connecting communities and enabling the safe and efficient movement of people and goods. An effective highway network increases the provinces competitiveness in domestic and international markets. Government will continue to develop its important strategic economic corridors, such as ring road links in Edmonton and Calgary, connections between major urban centres and high-growth industrial areas, and resource roads throughout the province.

MAJOR 2009-10 ACCOMPLISHMENTS

$1.9 billion is forecast to be spent in 2009-10, including the following accomplishments:

- Paved or repaved over 1,350 kilometres of highway, widened 115 kilometres, and opened 30 kilometres of twinning work;
- Opened Stoney Trail northwest ring road in Calgary and its interchanges at Beddington Trail and the Tuscany Boulevard/Scenic Acres Link, with ongoing construction of interchanges at Crowchild Trail and Deerfoot Trail;
- Completed construction of the Stoney Trail northeast ring road in Calgary;
- Continued construction of the Anthony Henday Drive northwest ring road in Edmonton;
- Completed the twinning of Highway 4 near Milk River and opened a 13 kilometre twinned section of Highway 21 near Sherwood Park;
- Constructed an interchange at Highway 2 and Yankee Valley Boulevard just south of Airdrie;

Opened the northeast and northwest Stoney Trail ring road segments in Calgary.

- Completed grade widening at Highway 9 south of Beiseker and Highway 58 west of High Level;
- Began construction to twin a 17 kilometre section of Highway 63 just north of Wandering River, and
- Continued construction on the first phase of a bypass at Grande Prairie west of Highway 2 to 116 Street, and began construction of 13 kilometres of twinning on Highway 43 between Beaverlodge and Wembley.

THE NEXT THREE YEARS

Over 2010-13, $5.7 billion will be invested in Alberta's highway network, and this support will:

- Complete the northwest segment of the Edmonton Anthony Henday ring road in fall 2011;
- Complete interchanges along Anthony Henday Drive southwest at Stony Plain Road, Lessard Road and Callingwood Road in fall 2011 or early 2012;
- Make significant progress on construction of the southeast Calgary Stoney Trail ring road which is projected to be completed in 2013;
- Complete the interchanges at Crowchild Trail and Harvest Hills Boulevard on the northwest segment of Stoney Trail in fall 2011 and fall 2010 respectively;
- Continue planning work for the remaining Edmonton and Calgary ring road segments;
- Complete two interchanges on Highway 63 within Fort McMurray at Thickwood Boulevard and Confederation Way, plus the new five-lane bridge structure over the Athabasca River;
- Continue twinning portions of Highway 63 between Edmonton and Fort McMurray;
- Provide improvements to resource roads and bridges that serve natural resource dependent communities;
- Support the widening of Highway 9 near Drumheller, and
- Continue to perform ongoing paving and rehabilitation work on highways throughout the province.

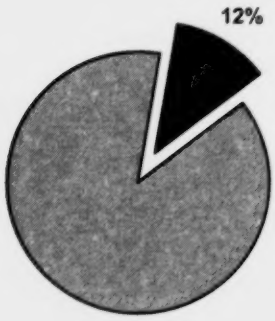
Construct the northwest segment of the Anthony Henday ring road in Edmonton.

Continue twinning segments of Highway 63 between Edmonton and Fort McMurray.

HEALTH FACILITIES AND EQUIPMENT

Government is committed to ensuring that Albertans have improved access to quality health care services, including diagnostic, ambulatory, emergency, surgical and continuing care. Over the last two years, new health care directions have been introduced to make the system more patient focused and sustainable for years to come.

Health Facilities and Equipment *represents 12%, or $2.5 billion of the 2010-13 Capital Plan.*



There have been several reviews conducted to examine the challenge of improving access to and delivery of health care in the province, in addition to moving from nine health regions to one province-wide health authority. The *Provincial Service Optimization Review, Vision 2020: The Future of Health Care in Alberta*, and the *Continuing Care Strategy: Aging in the Right Place* were all considered in the development of this capital plan, and all projects are being planned to align with the goals and objectives of these strategies. In addition to funding approved in *Budget 2010*, Alberta Health Services will use its capital cash reserves to deliver on its commitments for health facilities.

MAJOR 2009-10 ACCOMPLISHMENTS

In addition to the use of cash capital reserves, $310 million is forecast to be spent in 2009-10, including the following accomplishments:

Completed construction of the Peter Lougheed Centre East Addition and the Primary Care Clinic of the Sheldon M. Chumir Health Centre in Calgary.

- Completion of the East Addition to the Peter Lougheed Centre in Calgary;
- Completion of the new East Edmonton Primary Care Centre;
- Completion of a new Primary Care Clinic in the Sheldon M. Chumir Health Centre in Calgary;
- Completion of CASA House, an adolescent mental health treatment facility in Sherwood Park;
- Completion of the Richmond Road Diagnostic and Treatment Centre in Calgary, and
- Completion of the Robbins Pavilion - North Treatment Tower, and Orthopedic Surgery Facility at the Royal Alexandra Hospital in Edmonton.

THE NEXT THREE YEARS

Approximately $2 billion for new health facilities, and to expand and maintain existing facilities.

Over 2010-13, $2.5 billion has been budgeted for health facilities and equipment, and this support includes funding to continue or complete ongoing work as planned on major capital projects. Over $2 billion will go toward facilities, including $284 million for maintenance and renewal, $224 million for information systems, $151 million for vaccines and $102 million primarily for diagnostic and medical equipment.

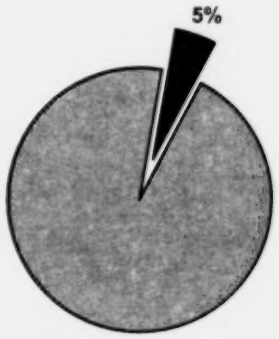
A detailed project-by-project list will be released in the near future.

Alberta Health Services (AHS) recently completed a comprehensive review of capital spending plans for the next three years. The proposed plans are being reviewed in consultation with AHS to ensure the right services are provided in the right facilities, based on what government has heard from Albertans.

SCHOOLS

Alberta will continue to invest in educational facilities to be ready for continued growth in student enrolment. This includes building new facilities, providing modular classrooms and expanding and maintaining existing facilities as required, ensuring that students are educated in safe, well maintained schools. Focused efforts have been made to develop flexible approaches in providing the infrastructure necessary to address changing demographics.

Schools *represents 5%, or $985 million of the 2010-13 Capital Plan.*



MAJOR 2009-10 ACCOMPLISHMENTS

$718 million is forecast for 2009-10, including the following anticipated accomplishments:

- Construct 10 new schools, complete eight additions and replacements, and modernize 24 schools;
- Approve 128 modular classrooms to address health and safety issues and enrolment and utilization pressures, and
- Proceed with Phase Two of the ASAP project, with a design-build contract in place and detailed design work started on high schools in Calgary, Edmonton, Sherwood Park and Spruce Grove, and work on another 10 elementary and middle schools in Edmonton, Calgary, Langdon and Okotoks expected to begin in spring 2010.

THE NEXT THREE YEARS

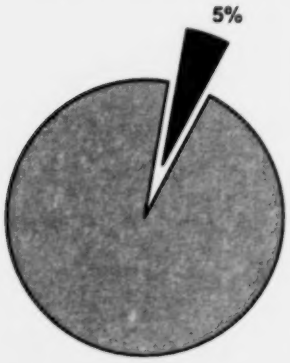
The 2010-13 Capital Plan for school infrastructure includes $985 million in funding to:

Complete 48 new and replacement schools to accommodate over 30,000 students throughout the province.

- Complete 48 new and replacement schools throughout the province to accommodate over 30,000 students, which includes completion of 18 P3 schools under ASAP Phase One which will be open for classes in September 2010, as well as 10 P3 schools set to be completed by September 2012 and four high schools scheduled for completion by January 2013 under ASAP Phase Two;
- Continue 35 ongoing major modernization and addition projects in various stages of completion, and
- Continue to perform priority school infrastructure revitalization projects throughout the province including roof repairs, health and safety upgrades, mechanical system replacements and energy efficiency improvements.

POST-SECONDARY FACILITIES

Post-Secondary Facilities *represents 5%, or $974 million of the 2010-13 Capital Plan.*



Colleges, universities and other post-secondary learning facilities develop the province's greatest natural resource – young Albertans. These institutions will play a key role in strengthening the workforce and providing the skills that will be required to compete in the 21st century. They will also help ensure the success of the Province's program to expand its research and technology sector, which will be a key driver of the economy for years to come.

MAJOR 2009-10 ACCOMPLISHMENTS

$708 million is forecast for 2009-10, including the following accomplishments:

- Created space for more than 1,000 students at various post-secondary institutions and made progress on expansions that will result in space for over 15,000 more;
- Completed the Olds College Community Learning Campus and the Equine Centre of Innovation;
- Near completion of the Centennial Centre for Interdisciplinary Science at the University of Alberta;
- Finished Portage College's St. Paul Campus, providing a permanent location for programs in St. Paul;
- Expanded Medicine Hat College's Power Engineering facility and made additions to the Welding and Heavy Equipment laboratory;
- Opened a new library at the University of Alberta's Augustana Campus in Camrose, and
- Secured $195 million over two years from Industry Canada's Knowledge Infrastructure Program that will go toward 40 projects addressing deferred maintenance and enhancing research facilities.

Created over 1,000 new student spaces at various post-secondary institutions.

THE NEXT THREE YEARS

The 2010-13 Capital Plan has allocated $974 million to create space for more than 15,000 learners in high demand programs, and includes investments in post-secondary facilities such as:

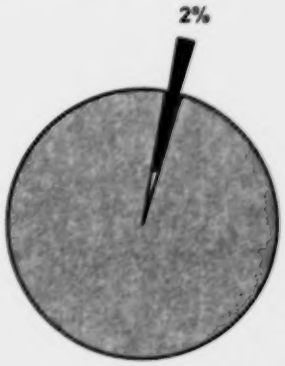
- Development of the research institutes within the Health Research Innovation Facility at the University of Alberta;
- Construction of SAIT's Trades and Technology Complex, doubling capacity to deliver energy, manufacturing and construction programming;
- The Phase Two expansion of Bow Valley College;
- Completion of the University of Alberta's Edmonton Clinic, which will support health care professions;
- Finishing the Energy, Environment, and Experiential Learning Building at the University of Calgary, and
- $300 million for the Infrastructure Maintenance Program for post-secondary institutions across the province.

Finish construction of the Edmonton Clinic at the University of Alberta.

COMMUNITY FACILITIES

Community facilities are central to maintaining a culturally vibrant province, strengthening communities and promoting tourism. Museums, historic sites, provincial parks, indoor and outdoor recreation centres, and buildings used by non-profit groups and foundations for various purposes are examples of facilities that collectively enhance community life. This plan supports these types of facilities and those that help promote Alberta to the world.

Community Facilities *represents 2% or $331 million of the 2010-13 Capital Plan.*



MAJOR 2009-10 ACCOMPLISHMENTS

$93 million is forecast for 2009-10, including the following accomplishments:

- Began construction of the Canada Sports Hall of Fame in Calgary with provincial funding and federal support through the Infrastructure Stimulus Fund;
- Upgraded provincial park infrastructure to meet health, safety and environmental standards, added more sites for larger recreational vehicles, made improvements to educational experiences for visitors and students, and added 25 new campgrounds to the online reservation system – all toward the implementation of the *Plan for Parks*;
- Continued progress on Canada Olympic Park in Calgary to construct and renovate facilities that provide world-class training venues for athletes, and
- The Community Facility Enhancement Program (CFEP) provided approximately $3[illegible] million in matching grants to expand or upgrade community-use facilities. Some examples include:
  - Renovations to the Alberta Ballet School's Dance Alberta Centre in Edmonton;
  - Upgrades to the Bonnyville Senior Citizens' Drop-in Centre;
  - Development of the Canmore Opera House in Calgary;
  - Renovations to the Sexsmith Arena;
  - Facility renovations at Chrysalis: An Alberta Society for Citizens with Disabilities in Edmonton, and
  - Construction of a community spray park in the Village of Delburne.

Started construction of the Canada Sports Hall of Fame in Calgary.

THE NEXT THREE YEARS

Three-year support totaling $331 million for community facilities across the province includes:

- $38 million annually for the CFEP, which supports the expansion and upgrading of Alberta's extensive network of community-use facilities;
- $83 million to continue work to refurbish the Royal Alberta Museum;
- $20 million for renovations to the Mount Royal Conservatory of Music, which will receive additional matching funding from the federal government through the Major Infrastructure Component of the Building Canada plan;
- $56 million for the continued maintenance and improvement of Alberta's provincial parks and protected areas, and
- $15 million in one-time federal support through the Infrastructure Stimulus Fund to assist with the construction of the GO Community Centre in Edmonton.

Complete construction of the GO Community Centre in Edmonton.

WATER AND WASTEWATER MANAGEMENT

Water is a precious commodity, and the effective management of it is vital in order to provide reliable, good quality supplies for communities, ecosystems and the economy. The Alberta *Water for Life* strategy is a major part of the plan to provide the infrastructure necessary to deliver water and wastewater services. Funding commitments for initiatives that ensure Albertans continue to have access to a safe and secure water supply have remained consistent from year to year.

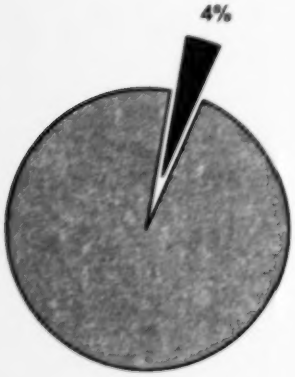
MAJOR 2009-10 ACCOMPLISHMENTS

$325 million is forecast for 2009-10, including the following accomplishments:

Provided over $200 million in grants under AMWWP and Water for Life *in 2009-10.*

- Provided over $200 million in grants under the Alberta Municipal Water/Wastewater Program (AMWWP) and the *Water for Life* strategy in support of municipal water facilities and regional water system development;
- Completed rehabilitation of the main canal and construction of the new Travers Inlet and Little Bow Dam East Dyke structures of the Carseland-Bow River Headworks System;
- Allocated $29 million in grants to support the rehabilitation of irrigation systems, and
- Completed or made significant progress on rehabilitating the Reesor and Spruce Coulee Dam, upgrading the South Heart Dam controls and rehabilitating the Driedmeat Lake Outlet and the Buffalo Lake Pumphouse.

Water and Wastewater Management *represents 4%, or $709 million of the 2010-13 Capital Plan.*



THE NEXT THREE YEARS

Over 2010-13, an investment of $709 million for water infrastructure will be made in the following areas:

- Regional water and wastewater treatment projects throughout the province, supporting the *Water for Life* strategy;
- Grants to municipalities under the Alberta Municipal Water/Wastewater Program;
- Complete most of the rehabilitation of the Carseland-Bow River Headworks System, the Lethbridge Northern Headworks Canal and the St. Paul Pumphouse Control System;
- Complete construction on the Calgary Bow River Weir Project;
- Develop the deep offsite water and wastewater infrastructure required to service Parsons Creek and Saline Creek in Fort McMurray, and
- Continue to provide irrigation rehabilitation grants to support the agriculture industry.

HOUSING

The provision of affordable housing for Albertans in need remains a critical priority for government. The objectives are to increase the supply of affordable and barrier-free housing to address demand, provide transitional housing to help reduce homelessness, and provide accommodation options to low and moderate income seniors and persons with disabilities.

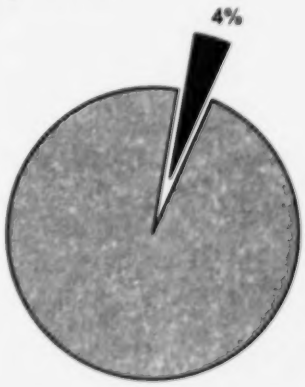
MAJOR 2009-10 ACCOMPLISHMENTS

$406 million is forecast for 2009-10, including the following accomplishments:

Supported the creation of over 2,000 new affordable housing units in 2009-10.

- Supported just over 2,000 affordable housing units, with 979 of them targeted to the homeless population. Some of the projects that received support are:
  - $7 million to Horizon Housing in Calgary to support the development of 73 units;
  - $7.3 million to Hope Mission in Edmonton to create 52 housing units for individuals who have experienced homelessness;
  - $5.6 million to Covenant Health – St. Michael's in Lethbridge to develop 40 housing units targeted to homeless Albertans, and
  - $5.4 million to Cairn on the Boulevard to develop 56 affordable housing units in Grande Prairie.
- $100 million in block funding to municipalities across the province for affordable housing initiatives. Eligibility is based on a formula that considers population growth, vacancy rates and average rents for a two-bedroom unit and previous year's eligibility, and
- $50 million committed to 17 projects across 10 communities for seniors through the Affordable Supportive Living Initiative, which will create 618 new spaces and upgrade 86 units.

Housing *represents 4%, or $799 million of the 2010-13 Capital Plan.*



THE NEXT THREE YEARS

This Capital Plan includes $799 million over three years for housing programs, and includes:

- Delivering on government's *Budget 2007* goal of developing more than 11,000 affordable housing units by 2012 through various grant programs, with 8,000 already having received support;
- Support to develop 8,000 housing units by 2019, targeted for homeless Albertans related to the implementation of *A Plan for Alberta - Ending Homelessness in 10-years*, as well as continued collaboration with municipalities and the Alberta Secretariat for Action on Homelessness;
- Provision of more seniors' housing through the Affordable Supportive Living Initiative, enabling the construction of 950 additional units over the next two years;
- Beginning the development of 1,000 acres of land in Fort McMurray in order to provide for the construction of 8,000 dwelling units as part of the implementation of *Responsible Actions: A Plan for Alberta's Oil Sands*, and
- The continued maintenance of the provincially-owned social housing portfolio.

Construct 950 new seniors' housing units through the Affordable Supportive Living Initiative.

GOVERNMENT FACILITIES, EQUIPMENT AND OTHER CAPITAL

The three-year support for government facilities, equipment and other capital totals $2.8 billion. This spending envelope covers a broad range of activities; from building government-owned facilities to purchasing information technology for government departments and agencies and investments in environmental initiatives.

MAJOR 2009-10 ACCOMPLISHMENTS

Government Facilities, Equipment and Other Capital *represents 14%, or $2.8 billion of the 2010-13 Capital Plan.*

$755 million is forecast for 2009-10, including the following accomplishments:

- Significant progress on the Strategic Information Technology Initiative that will create a new single source for law enforcement information, resulting in a one-stop access point to real-time information across the province;
- Upgrades underway on airtanker bases and runways as well as turbine conversion work on airtanker aircraft, expected to be converted for the 2011 fire season;
- Acquired several parcels of land for government use, including those within the Edmonton and Calgary Transportation and Utility Corridors;
- Finished upgrading IMAGIS, the government's information management system, to streamline business processes and deploy new functionality such as online time entry;
- Completed Phase Two of the Sam Livingston Fish Hatchery in Calgary, and
- Delivered $17 million to capital maintenance and renewal projects to preserve government-owned facilities.

THE NEXT THREE YEARS

The 2010-13 Capital Plan commits $2.8 billion to this envelope, and includes funding for:

- Construction of the new Edmonton Remand Centre, planned for completion in spring 2012;
- Restoration and renovation of the Federal Building on the Legislature Grounds, scheduled for occupancy by 2012, as well as the creation of Centennial Plaza and construction of a new 650 stall parkade;
- The final year of the three-year initiative to support the creation of 14,000 new child care spaces by 2011;
- Completion of the first phase of critical projects identified under the Information Management and Technology Strategy, which seeks to establish a single enterprise approach to Government of Alberta technology management, and
- A new networked radio system that will allow emergency responders from different agencies and jurisdictions to communicate quickly and easily with each other.

Complete the new Edmonton Remand Centre in 2012.

CLIMATE CHANGE INITIATIVES

Clean and dependable energy production will help secure Alberta's economic prosperity. Although other renewable energy sources such as hydro, wind and solar will play a more important role in Alberta's energy future, alternative sources cannot fully substitute for the use of fossil fuels. Therefore, Alberta continues its commitment to significantly reduce greenhouse gas emissions and their intensity, and to promote efficient energy use and production through the implementation of its *Climate Change Strategy*.

The 2010-13 Capital Plan includes nearly $1.3 billion of capital spending to help address the global climate change challenge. The following table summarizes government's capital commitment to these key climate change initiatives:

Climate Change Initiatives
(millions of dollars)

	2010-11	2011-12	2012-13	Total
Carbon Capture and Storage initiative	100	200	200	500
Green Transit Incentives Program	70	200	200	470
Climate Change and Emissions Management Fund	58	84	84	226
Eco-Trust for Clean Air and Climate Change	34	32	26	92
Total Funding Approved	262	516	510	1,288

Progress has been made on these important programs, and the following is a brief update on their status:

- Four project proponents have signed Letters of Intent with Alberta for funding support from the $2 billion **Carbon Capture and Storage** (CCS) initiative. CCS is one of the most effective and proven ways to help Alberta meet its emission reduction goals. This technology will see five million tonnes of carbon dioxide per year permanently stored in geological formations by 2015. Some of these projects also have the potential to improve resource revenues through enhanced oil recovery.

Alberta has signed Letters of Intent with four project proponents for funding support from the Carbon Capture and Storage initiative.

- Alberta continues its commitment to **GreenTRIP** and expects to receive funding applications in 2010 for initiatives that will promote the use of public transit and reduce the number of vehicles on Alberta roads.
- The Climate Change and Emissions Management Corporation was established in 2009 to administer revenues received in the **Climate Change and Emissions Management Fund**. This independent corporation is responsible for evaluating proposals for projects that support technologies that reduce greenhouse gas emissions and improve the ability to adapt to climate change. Successful proponents for the first round of projects will be announced in 2010.

The Climate Change and Emissions Management Corporation was established to administer revenues of the Climate Change and Emissions Management Fund.

- Project selection has been underway for the **eco-Trust** program over the past year, and three projects have been identified. This includes a Memorandum of Understanding signed in September 2009 between the University of Alberta and the Helmholtz Association of German Research Centres to drive innovation toward cleaner energy production, with a particular focus on the province's oil sands.

FEDERAL SUPPORT FOR INFRASTRUCTURE

Canada's Economic Action Plan fully aligns with Alberta's strategy of continuing to invest in infrastructure to stimulate economic recovery.

Announced in the federal government's *Budget 2009*, Canada's Economic Action Plan was developed to stimulate economic growth, restore confidence and support Canadians and their families during the global recession. The Economic Action Plan committed to a number of new infrastructure stimulus programs focused on investing in infrastructure to help create jobs. This aligns with Alberta's economic recovery strategy of continuing to invest in public infrastructure, and enhances previous federal support of nearly $2 billion provided under the Building Canada plan. All agreements under the Building Canada plan have been finalized and most of the funding has been allocated to projects.

The following table summarizes federal contributions through Canada's Economic Action Plan to Alberta for investment in infrastructure:

Federal Contribution to Alberta through Canada's Economic Action Plan
(millions of dollars)

	2010-13
Infrastructure Stimulus Fund	419
Knowledge Infrastructure Program	195
Affordable Housing Initiative	119
Communities Component Top-Up	52
Total Federal Contribution to Alberta	785

The federal government supported over 200 projects for nearly $419 million under the Infrastructure Stimulus Fund.

The **Infrastructure Stimulus Fund** (ISF) was established to focus on rehabilitation work needed to maintain the safety and extend the useful life of existing infrastructure while stimulating economic growth in the short term. Funding is only available for projects that will be substantially complete by March 31, 2011. The federal government supported over 200 projects in Alberta for nearly $419 million. The Province has contributed approximately $335 million to these projects.

The **Knowledge Infrastructure Program** was created to renew and maintain post-secondary facilities, and to enhance research facilities. Over $195 million was committed by the federal government to 40 projects at 20 institutions under this initiative. This funding builds on Alberta's investment of nearly $96 million in these facilities. An additional seven projects at six independent institutions were funded directly by the federal government.

Over $195 million was committed to 40 projects under the Knowledge Infrastructure Program.

The federal government also allocated $119 million for the construction and renovation of existing social housing facilities under the **Affordable Housing Initiative**. An additional $52 million was committed by the federal government to 38 projects as a **top-up to the Communities Component program**. The objective of this program was to focus on smaller-scale projects in communities with a population of less than 100,000, with matching contributions still required from the Province and communities. Most of the high-priority projects receiving support are for local roads and water and wastewater services.

CAPITAL FINANCING

Capital financing could include direct provincial borrowing and alternative forms of capital financing such as capital leases, public-private partnerships (P3s) and mortgages. The Province is using direct provincial borrowing and P3s in this budget to provide stable capital funding for the Capital Plan.

DIRECT PROVINCIAL BORROWING

Budget 2009 included a plan for the province to borrow $3.3 billion directly to fund capital projects. To date, $1.4 billion of the planned $3.3 billion has been issued, with the balance to be issued over the current and next two years.

Direct borrowing and P3s will be used in this budget to deliver capital projects.

Alberta Capital Bonds are a form of direct provincial borrowing. Alberta Capital Bonds will be offered through participating financial institutions providing individual Albertans an opportunity to invest in the province's future. The bonds will be available only in Alberta, and only for permanent residents of Alberta. Proceeds from the offering will help fund accommodations for seniors.

ALTERNATIVE CAPITAL FINANCING – PUBLIC-PRIVATE PARTNERSHIPS IN ALBERTA

A P3 in Alberta is an infrastructure project in which a private contractor provides part of the project financing and designs and builds the project. The P3 could also include having the private contractor operate and maintain the project which, in effect, provides an "extended warranty" as the contractor is responsible for the project over the life of the agreement. P3s can also provide other benefits such as encouraging innovation, collaboration, and appropriate risk allocation with the private sector, maximizing value for money and delivering infrastructure with certainty in terms of cost and schedule.

The Province ensures it gets the benefits planned for in a P3 by paying the private contractor over the contract term. Payments to the contractor will be reduced if defined performance standards are not met.

Alberta will only pursue a P3 when there is a greater value to using a P3 than traditional procurement methods.

Alberta will only pursue a P3 when there is value for money as compared to acquiring an asset using traditional procurement methods. Each P3 is evaluated to ensure value for money over the life of the agreement. Value for money is determined by comparing the cost of the project procured under a traditional model to the cost of delivering the project using a P3. This evaluation is reviewed by an external advisory committee made up of private sector members. The cost to deliver the project as a P3 is based on actual bids received through a competitive bid process.

ASAP I project to be complete by spring 2010.

The Province has entered into four P3 agreements which generated value for money. Two of the projects, **Southeast Anthony Henday Drive** in Edmonton and **Northeast Stoney Trail** in Calgary are operational and were completed on time and on budget. Two additional projects, **Northwest Anthony Henday Drive** in Edmonton and the first phase of the **Alberta Schools Alternative Procurement (ASAP I)** project, are under construction and on schedule to be completed on time.

Other projects currently in procurement include another bundle of schools and another ring road segment in Calgary. The **Alberta Schools Alternative Procurement Phase Two (ASAP II)** project includes the design, construction, financing and 30-year maintenance of 10 schools in Edmonton and the Calgary region. The new schools are scheduled to be completed by September of 2012, and will be owned and operated by the school boards, as are the 18 schools being constructed in the first phase.

ASAP II project and Southeast Stoney Trail are currently under procurement as P3s.

The **Southeast Stoney Trail** ring road project in Calgary is under procurement as a P3 Design-Build-Finance-Operate project. The road will be 25 kilometres long with 29 bridge structures. The P3 procurement will allow the ring road segment to be opened by fall 2013, which is two years earlier than if a traditional approach were used. Construction is expected to commence in early spring 2010. As for all the ring road P3 projects, the Province owns the infrastructure and is responsible for ensuring the safety of the roadways.

Alberta is committed to complete and transparent reporting of its P3 projects. When a long term obligation is incurred for a P3 project it is shown on the Province's balance sheet.

The following table summarizes the projected use of capital financing for the 2010-13 period:

Capital Financing Summary
(millions of dollars)

	2010-11 Estimate	2011-12 Target	2012-13 Target
Opening balance sheet liability	2,903	4,425	5,664
Additional P3 liabilities[a]	435	551	300
Direct borrowing for capital	1,100	709	-
Principal repayment	(13)	(21)	(30)
Closing balance sheet liability	4,425	5,664	5,934
Interest payments	117	178	219

[a] Represents only the portion of assets being alternatively-financed.

Capital Plan Details

(millions of dollars)

	2010-11 Estimate	2011-12 Target	2012-13 Target	3-Year Total
Municipal Infrastructure Support				
Municipal Sustainability Initiative	826	836	878	2,540
Municipal transportation grants	324	379	408	1,111
Federal Gas Tax Fund	200	200	200	600
GreenTRIP	70	200	200	470
Building Canada and Stimulus Program supported projects	323	82	52	457
Saline Creek Drive and Parsons Creek Road	30	18	11	59
Other support	3	3	7	13
Total Municipal Infrastructure Support	**1,776**	**1,718**	**1,756**	**5,250**
Provincial Highway Network				
Calgary Ring Road	462	758	430	1,650
Edmonton Ring Road	442	648	274	1,364
Highway construction	344	428	376	1,147
Highway rehabilitation	268	160	181	609
Rural and Urban North-South Trade Corridors	114	94	323	530
Northeast Alberta Transportation Corridor	147	22	37	206
Other economic corridors	89	74	24	187
Total Provincial Highway Network	**1,866**	**2,183**	**1,644**	**5,693**
Health Facilities and Equipment				
New facilities and expansions	539	659	528	1,726
Capital maintenance and renewal	88	96	100	284
Health information systems	90	68	66	224
Vaccines	49	55	47	151
Equipment	36	38	28	102
Total Health Facilities and Equipment	**802**	**916**	**769**	**2,487**
Schools				
New facilities and expansions	396	64	177	637
Capital maintenance and renewal	120	121	107	348
Total Schools	**516**	**185**	**284**	**985**
Post-Secondary Facilities				
New facilities and expansions	433	144	32	609
Capital maintenance and renewal	145	107	113	365
Total Post-Secondary Facilities	**578**	**251**	**145**	**974**

Capital Plan Details – continued

(millions of dollars)

	2010-11 Estimate	2011-12 Target	2012-13 Target	3-Year Total
Community Facilities				
Community Facility Enhancement Program	38	38	38	114
Royal Alberta Museum	10	34	39	83
Parks capital maintenance and renewal	20	18	18	56
Mount Royal Conservatory of Music	10	10	-	20
GO Community Centre	15	-	-	15
Canada Sports Hall of Fame	13	-	-	13
Other support	12	9	9	30
Total Community Facilities	**118**	**109**	**104**	**331**
Water and Wastewater Management				
Regional water/wastewater projects - *Water for Life*	63	190	150	403
Municipal Water and Wastewater Partnership grants	30	50	50	130
Irrigation rehabilitation grants	24	24	24	72
Saline Creek and Parsons Creek water infrastructure	20	18	-	38
Carseland-Bow River Headworks System rehabilitation	23	4	8	35
Other support	7	4	20	31
Total Water and Wastewater Management	**167**	**290**	**252**	**709**
Housing				
Homelessness Prevention Initiative	100	100	100	300
Affordable Housing Program	88	97	100	285
Affordable Supportive Living Initiative	50	50	-	100
Parsons Creek onsite development	68	-	-	68
Maintain social housing portfolio	46	-	-	46
Total Housing	**352**	**247**	**200**	**799**
Government Facilities, Equipment and Other Capital				
Carbon Capture and Storage initiative	100	200	200	500
Edmonton Remand Centre replacement	184	98	46	328
Federal Building retrofit and parkade	140	92	-	232
Climate Change and Emissions Management Fund	58	84	84	226
Accommodation projects	25	25	25	75
Eco-Trust for Clean Air and Climate Change	34	32	26	92
Capital maintenance and renewal	10	10	10	30
Other support	482	469	413	1,364
Total Government Facilities, Equipment and Other Capital	**1,033**	**1,010**	**804**	**2,847**
Total Capital Plan	**7,208**	**6,909**	**5,958**	**20,075**

BLANK PLAGE

ECONOMIC OUTLOOK

BUDGET 2010

Striking the Right Balance

ECONOMIC OUTLOOK

BUDGET 2010
Striking the Right Balance

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SUMMARY AND KEY ASSUMPTIONS

- Alberta is entering recovery mode. After contracting by an estimated 2.5% in 2009, its first recession since 1986, the Alberta economy is expected to expand by 2.6% in 2010. Average employment is forecast to increase by 15,000 in 2010; nonetheless, the unemployment rate is expected to remain at 6.6% because of offsetting growth in the labour force.
- Despite high oil prices and improved prospects for oil sands, the initial phases of Alberta's economic recovery are expected to be relatively moderate, in large part because of the subdued global economic recovery. Weak natural gas prices are also expected to weigh on investment in the conventional energy sector. Over the medium term, however, economic growth is forecast to strengthen to a sustainable pace of around 3% and the unemployment rate to fall below 5% by 2013.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2008-09 Actual	2009-10 Estimates	2010-11	2011-12	2012-13
Prices					
Crude Oil Price					
WTI (US$/bbl)	85.94	69.95	78.75	83.50	89.50
Alberta Wellhead (Cdn$/bbl)[a]	82.82	67.40	72.20	76.48	82.00
Bitumen @ Cold Lake (Cdn$/bbl)[b]	61.54	49.36	56.38	59.79	64.07
Natural Gas Price					
Alberta Reference Price (Cdn$/GJ)	6.97	3.40	4.25	5.25	5.50
Production					
Conventional crude oil (000s barrels/day)	497	454	424	419	419
Raw bitumen (000s barrels/day)	1,292	1,528	1,771	1,972	2,140
Natural gas (billions of cubic feet)	4,903	4,682	4,284	4,040	3,858
Interest rates					
3-month Canada treasury bills (per cent)	1.74	0.25	1.30	3.30	4.00
10-year Canada bonds (per cent)	3.40	3.45	4.05	4.70	5.00
Exchange Rate (US¢/Cdn$)	89.59	91.67	95.00	95.00	95.00

Calendar Year Assumptions	2009 Actual	2010	2011	2012	2013
Gross Domestic Product					
Nominal (millions of dollars)	240,156[c]	259,165	278,882	297,382	317,126
per cent change	-17.5	7.9	7.6	6.6	6.6
Real (millions of 2002 dollars)	181,114[c]	185,875	191,301	196,980	203,069
per cent change	-2.5	2.6	2.9	3.0	3.1
Other Indicators					
Employment (thousands)	1,988	2,003	2,043	2,084	2,120
per cent change	-1.3	0.8	2.0	2.0	1.7
Unemployment rate (per cent)	6.6	6.6	6.0	5.3	4.9
Average Weekly Earnings (per cent change)	3.2[c]	3.0	3.0	3.2	3.2
Personal Income (per cent change)	1.3[c]	3.4	5.6	7.1	6.6
Corporate Profits (per cent change)	-58.2[c]	34.1	17.7	6.8	8.6
Housing starts (number of units)	19,217[d]	23,100	24,200	25,400	26,200
Alberta Consumer Price Index (per cent change)	-0.1	2.0	2.1	2.1	2.1
Population (thousands)	3,688	3,744	3,806	3,871	3,938
per cent change	2.6	1.5	1.7	1.7	1.7

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.
[b] The bitumen price is an estimate of the price at Cold Lake and is not an actual market price.
[c] Alberta Finance and Enterprise estimate.
[d] Preliminary actual.

ECONOMIC OUTLOOK 2010–2013

"GREAT GLOBAL RECESSION" DRAWS TO A CLOSE

- In the summer of 2009, major economies around the world began emerging from the worst recession since the 1930s.
- Historically low interest rates, unconventional monetary policy and government bailouts helped stabilize financial institutions in the spring of 2009. Governments around the world also announced massive fiscal stimulus packages that included new infrastructure spending and help for troubled industries like housing and autos.
- Japan, Germany and France returned to positive growth in the second quarter while the US and Canada moved into positive territory in the third quarter.
- Strong growth in developing Asia, where the financial sector was largely insulated from the global crisis, helped drive up commodity prices from their lows early in the year.

DEVELOPING ASIA EXPECTED TO LEAD GLOBAL GROWTH IN 2010

- As the developed world limps out of recession, most analysts expect developing Asia, in particular China and India, to drive global growth.
- Although the muted economic recovery in advanced economies is expected to limit overall global growth to around 3% in 2010, global growth is expected to return to around 4.5% in the medium term, similar to its pre-recession average.
- Economic growth in the US is expected to be around 2.5% in 2010, a muted recovery by historical standards. Since the economy is still shedding jobs, the initial phase of the recovery is being sustained by government stimulus packages. Sustained economic growth depends on business and household spending gaining traction.
- While Canada's domestic economy is in better shape than in the US, Canada's dependence on the US market and the high Canadian dollar are expected to restrain exports and limit real economic growth to 2.5% in 2010.
- Global policy makers will walk a fine line as they attempt to withdraw monetary and fiscal stimulus without putting the economic recovery at risk. If the stimulus is withdrawn too quickly, the recovery could falter; too slowly, and rising inflation could jeopardize longer-term growth.
- Huge fiscal stimulus packages have left many countries with large increases in budget deficits, and in a number of cases, downgrades to their credit ratings. If there are major sovereign defaults, global financial markets could be thrown into turmoil once again.

A TALE OF TWO ENERGIES

- Although oil prices have rebounded rapidly from their lows in early 2009, the recovery in natural gas prices has been muted.
- Growing global demand, particularly in Asia, and limited increases in global supply are expected to keep oil prices high by historical standards. World oil prices are forecast to rise from an average of US$69.95 per barrel in 2009-10 to US$78.75 in 2010-11 and to reach US$89.50 by 2012-13.
- Stronger prices and lower construction costs have renewed interest in Alberta's oil sands. Although total investment in Alberta's oil sands is expected to rise by about 20% in 2010, it will still remain well below its 2008 peak. Growth in the oil sands is expected to continue at a sustainable rate, but not return to the frantic pace of recent years.
- Rising production from oil sands is expected to provide a significant boost to Alberta's energy exports in the coming years.
- Falling US industrial demand and rising US shale gas production have pushed natural gas inventories to record levels and depressed North American prices. As a result, drilling activity was down sharply in both Alberta and the US in 2009.
- Rising US shale gas production is expected to keep the recovery in natural gas prices relatively subdued. The Alberta Gas Reference Price is forecast to rise from an average of Can$3.40 per gigajoule in 2009-10 to Can$4.25 in 2010-11 and Can$5.50 by 2012-13.
- As a result, conventional drilling activity in Alberta is expected to post only a modest recovery in 2010 and production to decline by an average of around 6% per year through 2013. Declining production and rising domestic consumption (particularly by oil sands) will reduce natural gas exports from Alberta.

GLOBAL RECOVERY EXPECTED TO STRENGTHEN TOTAL EXPORTS

- The volume of total Alberta exports declined for the second consecutive year in 2009, with widespread weakness except for oil exports. Total exports are expected to begin recovering in 2010 as the global economic recovery gathers momentum. New oil production, manufacturing and business services are expected to be key drivers of Alberta's export performance over the medium term.
- Agricultural exports are expected to weaken somewhat further in 2010. Grain production returned to more normal levels in 2009 from a bumper crop in 2008, which will moderate grain exports in 2010. Livestock supplies are also lower, and the shift to exporting meat rather than live animals is expected to continue.
- The volume of manufacturing exports, which were down an estimated 7% in 2009, are expected to post a modest recovery in 2010 and then to strengthen over the medium term as the US recovery strengthens.

GRADUAL IMPROVEMENT IN LABOUR MARKET

- The last part of the economy to climb out of recession is typically the labour market. Rising corporate profits and stronger economic growth in 2010, are expected to provide a boost to Alberta's employment, building on the gains at the end of 2009.
- Average employment in 2010 is forecast to be just over 2 million, an increase of 15,000 or 0.8% from average 2009 levels. The average unemployment rate is expected to remain at 6.6% in 2010 as labour force growth keeps pace with employment growth.
- As employment growth picks up in the medium term, the unemployment rate is forecast to decline to 4.9% by 2013. Wage growth, however, is expected to moderate from 6.0% in 2008 to around 3% as the recent downturn has eased Alberta's labour shortages.
- Migration to Alberta is strongly influenced by Alberta's relative economic performance. The net inflow of people from other provinces is expected to drop to around 5,000 in the 2010 census year, reducing Alberta's population growth from 2.6% in 2009 to 1.5% in 2010. Net interprovincial migration is expected to strengthen to its long-term average of around 14,000 by 2013 as Alberta's economic performance picks up. Alberta's total population growth is therefore forecast at 1.7% in the medium term.
- Healthy population and income growth is expected to sustain the recovery now underway in Alberta's housing market. Housing starts are expected to remain in line with growth in the number of new households at roughly 25,000 per year.

ALBERTA'S ECONOMY MOVING TO A SUSTAINABLE GROWTH PATH

- The Alberta economy has weathered the 'great recession' and is returning to a sustainable pace of growth. Over the medium term, strengthening investment, particularly in the unconventional oil sector, will boost employment and incomes in the province, despite weakness in the conventional gas sector. Alberta's economy is forecast to grow at 2.6% in 2010, with growth strengthening to around 3% over the remainder of the forecast period.

Equity Markets Rebound from Global Financial Crisis

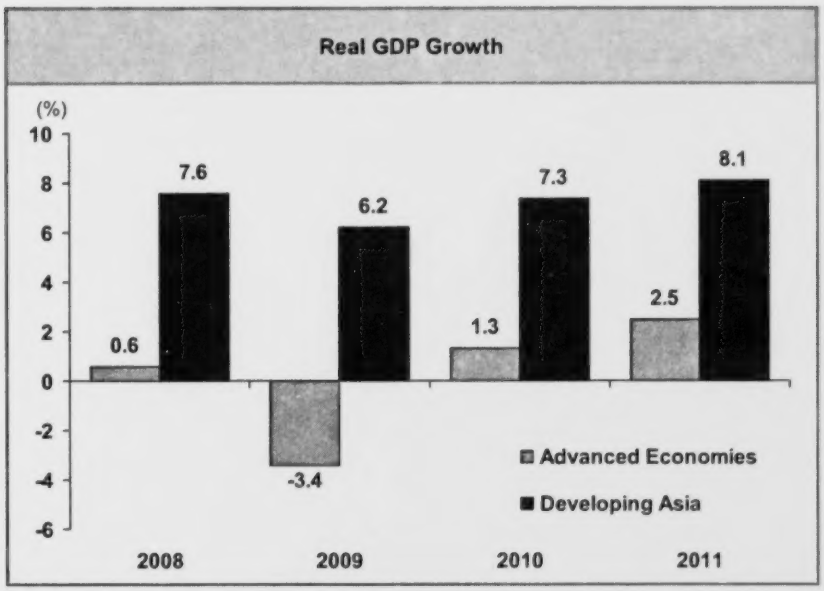
In late 2008, the global financial crisis triggered the worst world recession since the 1930s. Global equity markets bottomed out in March 2009 when strong action by policymakers succeeded in stabilizing the global financial system.

Equity markets, typically a leading indicator, bounced back in the second half of 2009. Canada's TSX is up 55% from its March low, while the S&P500 in the US is up 65%.

Sources: Yahoo Finance and Alberta Finance and Enterprise.

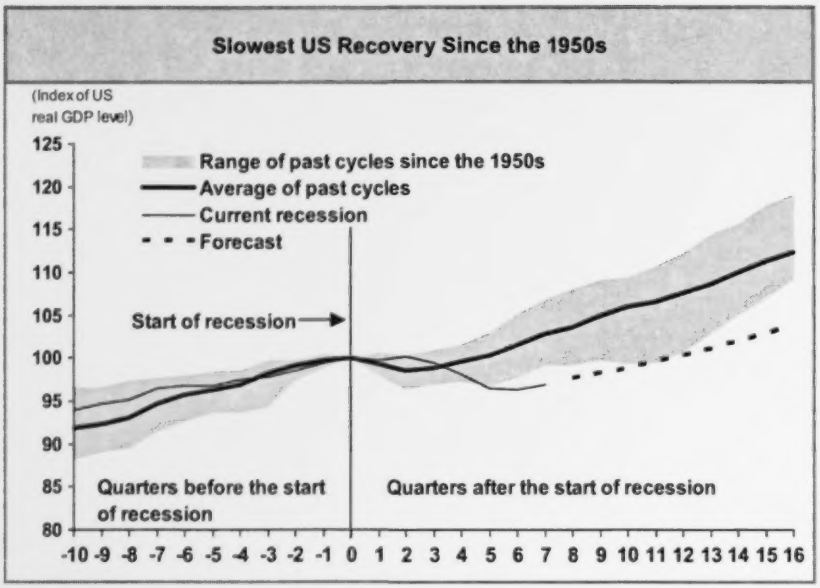
Developing Asia Drives Global Recovery

Strong growth in advanced economies as well as major emerging markets propelled global growth to an average of 4.5% in the five years leading up to the recession. Continued rapid growth in emerging Asia, which is dominated by China and India, helped limit the global economic contraction to 1.1% in 2009 and is expected to boost global economic growth to around 3% in 2010 despite a sluggish recovery in advanced economies. By 2011, global growth is expected to return to pre-recession rates as the recovery in advanced economies strengthens.



Source: International Monetary Fund, October 2009.

Muted North American Recovery

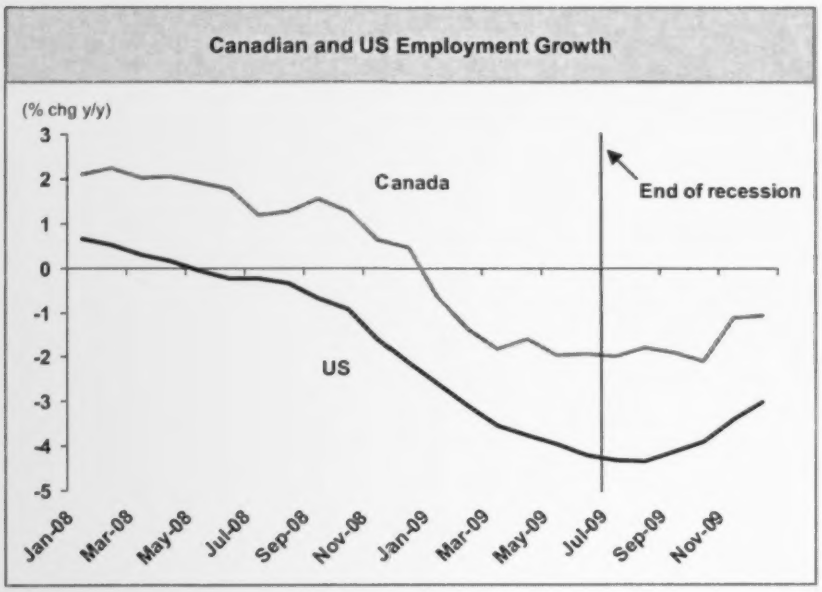


Sources: US Department of Commerce and Alberta Finance and Enterprise.

Although both Canada and the US emerged from recession in the third quarter of 2009, the US turned in a much stronger performance with real GDP growth of 2.2%. Canada's economy eked out growth of only 0.4% as a high Canadian dollar held back exports.

Canada's domestic economy, however, is in much better shape than in the US, which is still struggling with problems in the housing market and bad loans in the financial sector. Nonetheless, weak Canadian exports are expected to keep Canada's overall economic growth at 2.5% in 2010, the same as in the US.

Employment Lags Recovery



Sources: US Bureau of Labor Statistics and Statistics Canada.

Canada's labour market has fared much better than in the US. Although employment is still down from 2008 levels, Canada posted job gains in three of the last five months of 2009.

The rate of job losses in the US has slowed. Nonetheless, sustained employment gains remain elusive. Without a solid improvement in the labour market, the US recovery may not be self-sustaining when the effects of temporary US fiscal packages fade in the second half of 2010.

Financial Conditions Back to Normal

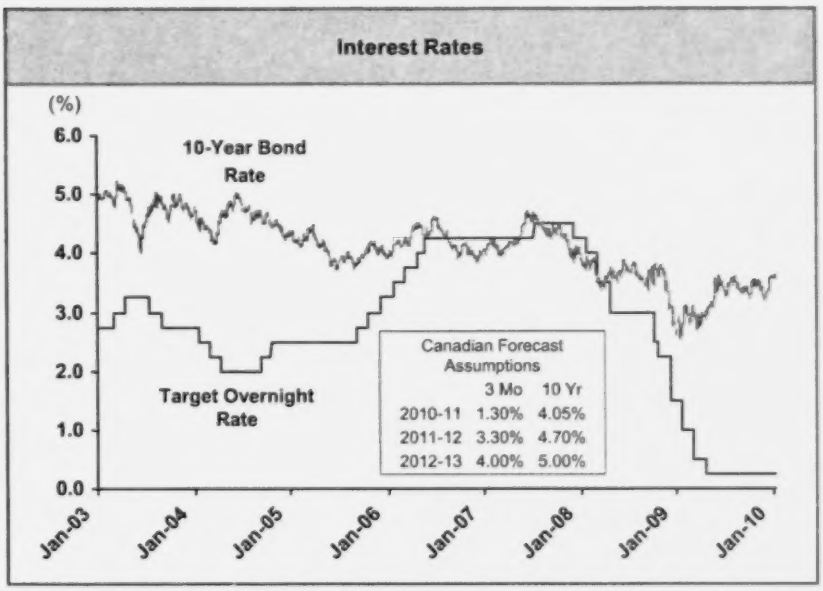
The Bank of Canada's Financial Conditions Index takes into account credit conditions, corporate bond spreads, interest rates, the exchange rate, stock prices and housing prices. The Bank's index suggests that overall financial conditions have returned to normal in Canada. Low interest rates and a narrowing of corporate bond yields indicates that access to credit will not act as a constraint on near-term economic growth.

Source: Bank of Canada.

Interest Rates to Rise from Historic Lows

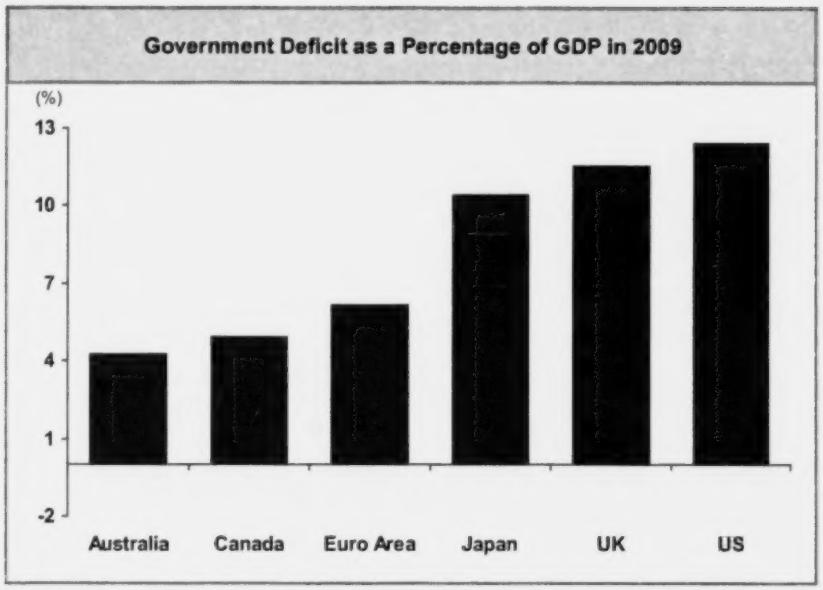
Although the Bank of Canada slashed interest rates to historic lows as the global financial crisis unfolded, the Bank has not had to resort to US-style non-conventional measures like quantitative easing to support the financial system and the economic recovery.

The Bank has committed to holding the policy rate at its current level until June 2010 as long as inflation remains under control. Policy interest rates are expected to gradually return to more normal levels as the economy strengthens.



Sources: Bank of Canada and Alberta Finance and Enterprise.

Stimulus Packages Lead to Ballooning Deficits



The massive fiscal stimulus that governments around the world unleashed to support economic activity has caused a sharp deterioration in government fiscal balances, particularly in countries like the US and the UK whose financial sectors were hard hit by the crisis. Although these deficits are unsustainable in some cases, governments will have to time the removal of this support carefully so as not to jeopardize the recovery.

Source: International Monetary Fund.

US Dollar Weakens

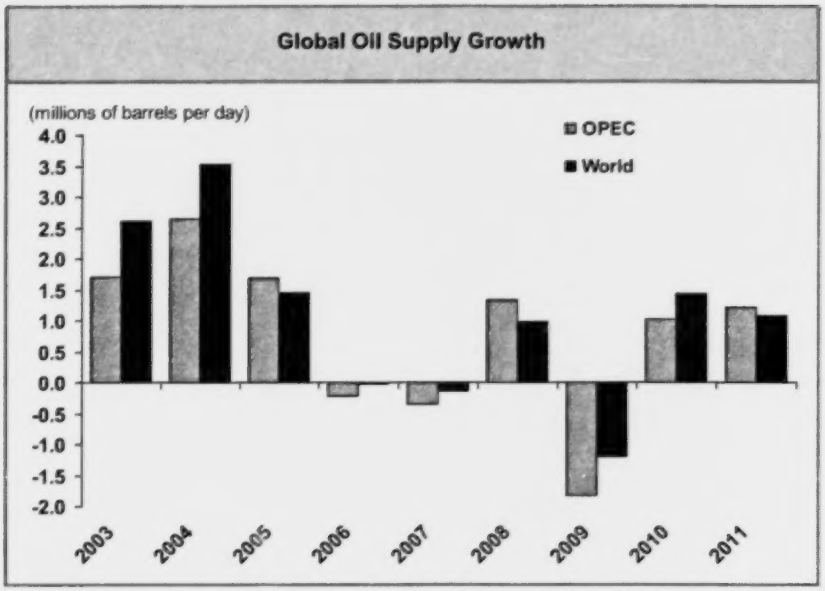
The US dollar strengthened against most major currencies at the height of the financial crisis as investors fled to safe havens. With the improvement in financial markets, the broad US dollar index has declined almost 10% since March 2009. The Canadian dollar has increased from a low of around 77 US cents in December 2008 to around 95 US cents currently. The loonie is expected to remain around current levels due to rising concerns over US fiscal problems.

Sources: Bank of Canada and Alberta Finance and Enterprise.

Modest Growth in Global Oil Supplies

World oil supplies declined sharply in 2009, as reduced world demand weighed on prices and the financial crisis constrained capital investment.

There is likely to be renewed pressure on world oil prices since world demand growth is expected to outpace global supply growth as the economic recovery gains momentum.

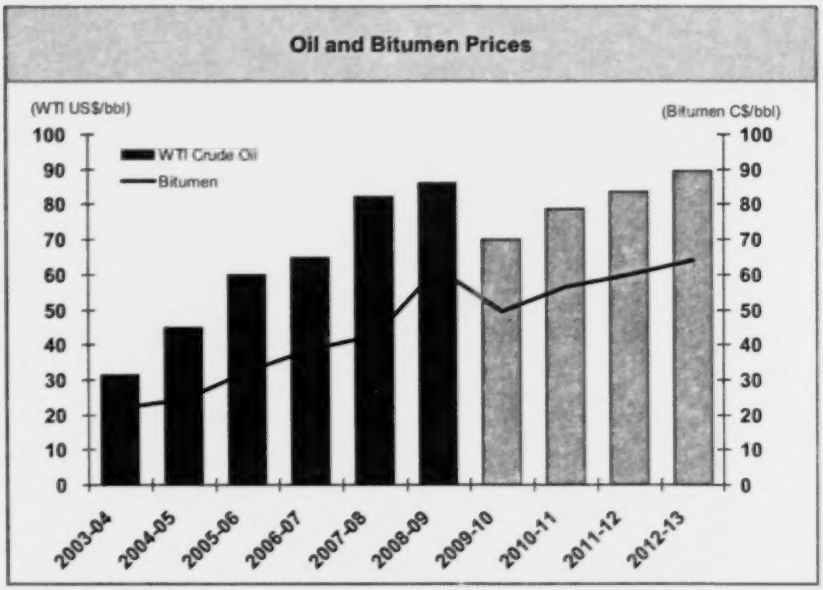


Source: US Energy Information Administration.

Rising Prices for Heavy Oil

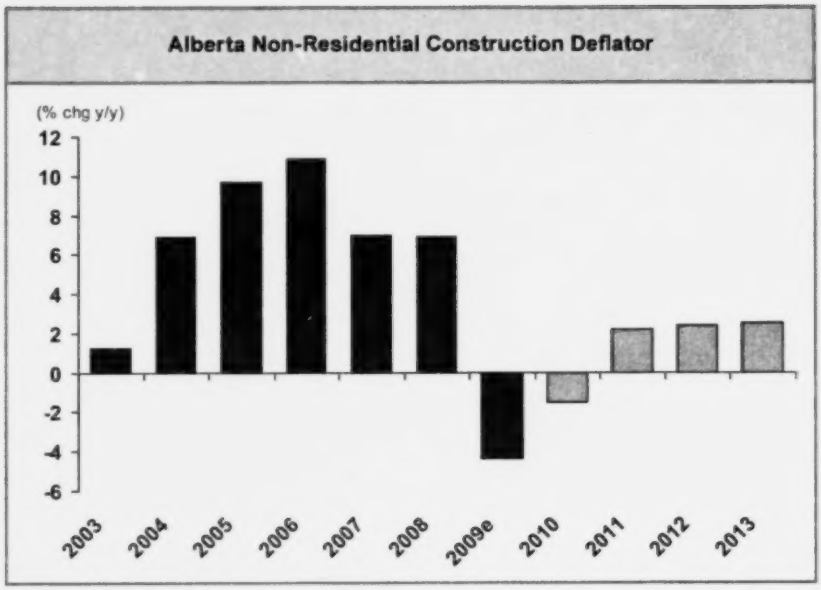
The price of the benchmark light crude oil, West Texas Intermediate (WTI), dropped precipitously in the fall of 2008. After hitting a low of around US$33 as the global recession began, WTI prices have more than doubled as the recession has transitioned into a global recovery.

Historically, prices for heavy crude have been well below WTI prices. A reduction in heavy oil supplies and increased refining capacity, however, have sharply reduced the differential.



Source: Alberta Energy.

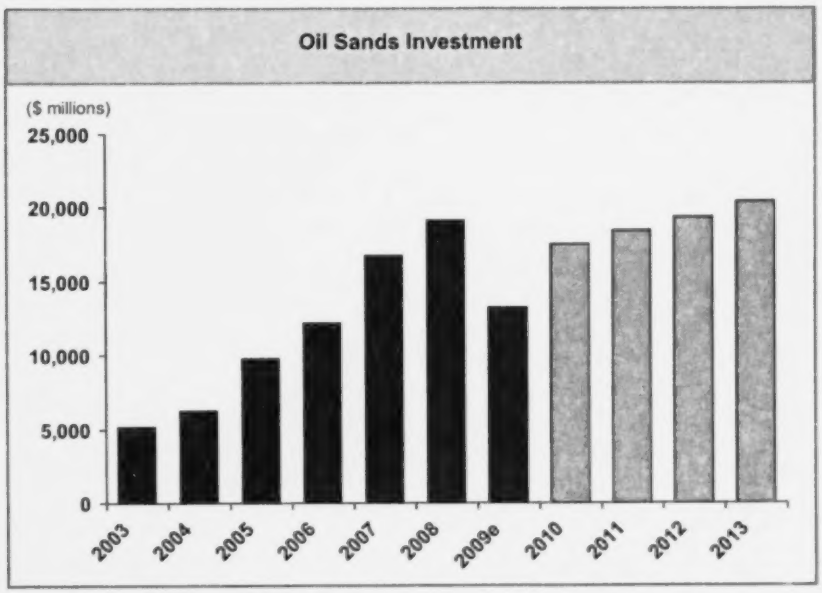
Cost Pressures Easing



Investment in Alberta's oil sands faced significant cost pressures during Alberta's recent investment boom. Construction cost pressures eased in 2009, with non-residential construction prices down 7% and 11.6% respectively in Calgary and Edmonton, in the first three quarters of 2009 compared to the same period in the previous year.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Improved Prospects for Oil Sands Investment

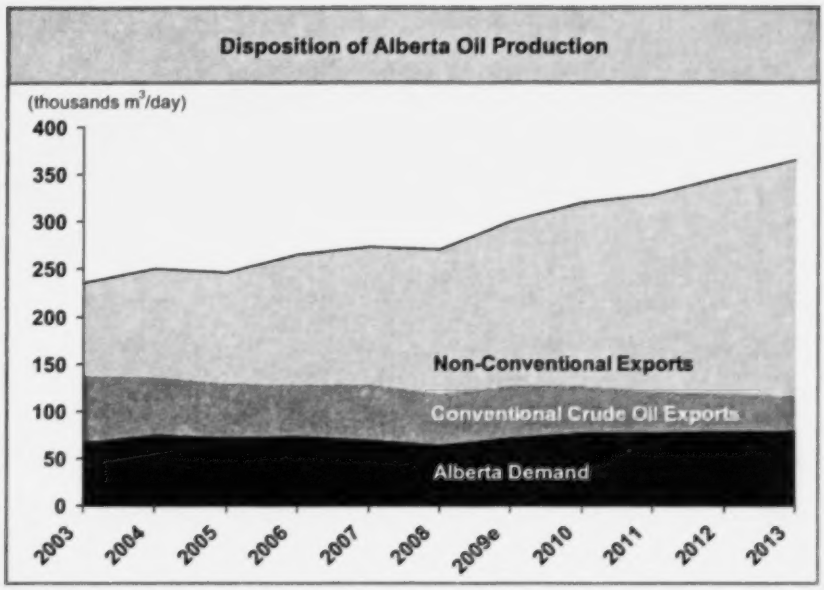


Stronger prices and lower construction costs have improved the outlook for investment in Alberta's oil sands. The Canadian Association of Petroleum Producers expects oil sands investment to increase by $2 billion in 2010 as a number of projects are taken off the back burner. Future oil sands investment is expected to grow at a more sustainable rate than the frantic pace set during the boom.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Rising Oil Exports

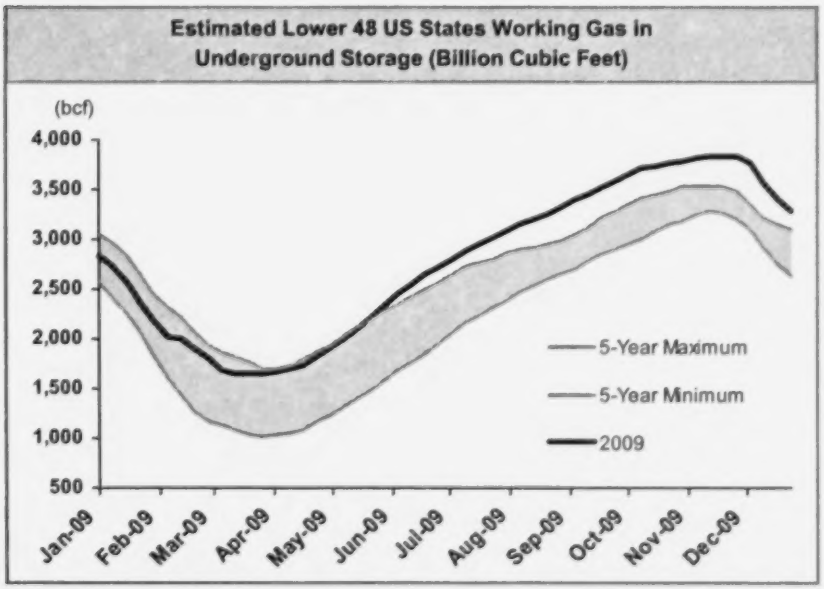
Even with the decline in investment from its 2008 peak, the completion of projects prior to the recession and the planned revival of several previously shelved projects will significantly boost oil sands production. Increasing production is expected to lift exports over the forecast period.



Source: Energy Resources Conservation Board.

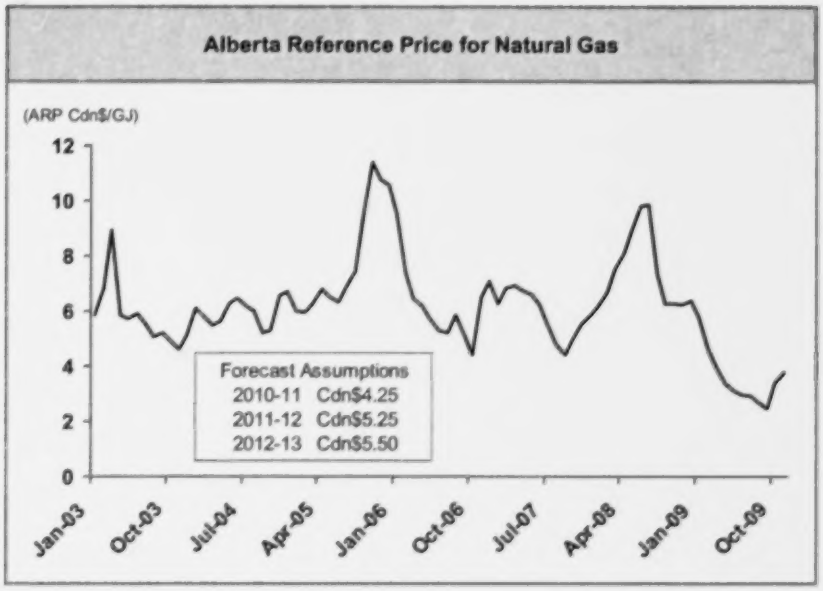
High Natural Gas Inventories

US natural gas inventories hit record levels in 2009 as the recession and milder weather suppressed demand while the development of shale gas reserves boosted US natural gas production. This excess supply is weighing heavily on the outlook for prices.



Source: US Energy Information Administration.

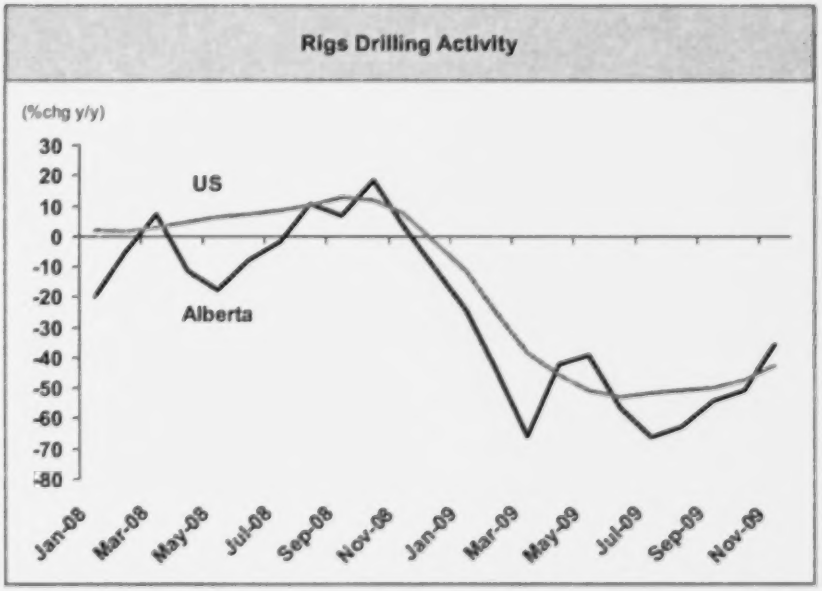
Restrained Natural Gas Prices



Source: Alberta Energy.

Despite the strong rebound in oil prices in the summer of 2009, the Alberta Reference Price for natural gas continued to drop before bottoming out at Can$2.48 per gigajoule in September. Although natural gas prices are expected to improve as US industrial demand recovers, the improvement is expected to be modest due to increasing North American supplies of shale gas.

Rigs Drilling Down in North America



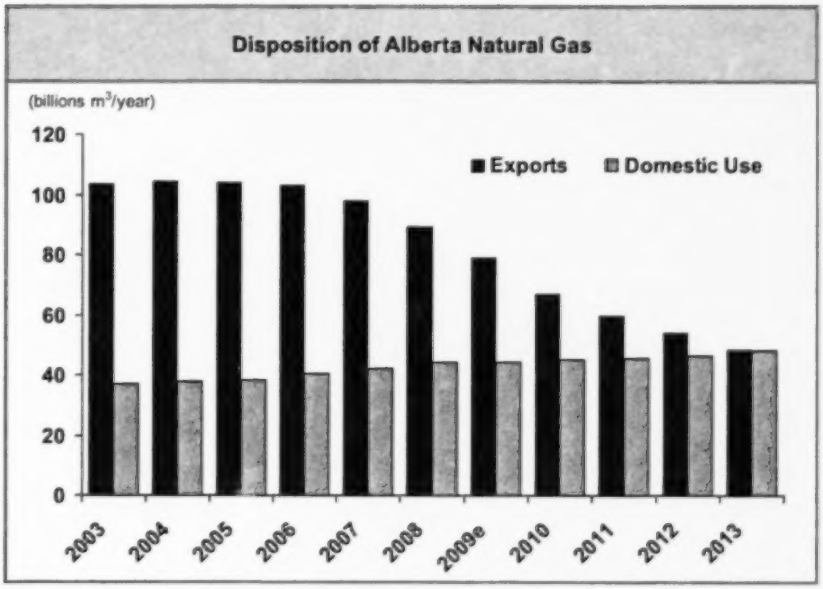
Sources: Canadian Association of Oilwell Drilling Contractors and US Energy Information Administration.

While lower prices have reduced the incentive for exploration and development, technological advances have also diminished the number of drilling rigs operating in both Canada and the US. New multi-frac horizontal drilling processes are "a game changer" that require a smaller number of drilling rigs to access a given area of reserves.

Falling Natural Gas Exports

Natural gas exports are forecast to decline by an average of about 12% per year between 2009 and 2013.

Part of the decline in exports is due to rising gas consumption within Alberta, particularly by oil sands. Natural gas production is also expected to decline by an average of around 6% per year as a result of declining well productivity and lower levels of drilling activity.



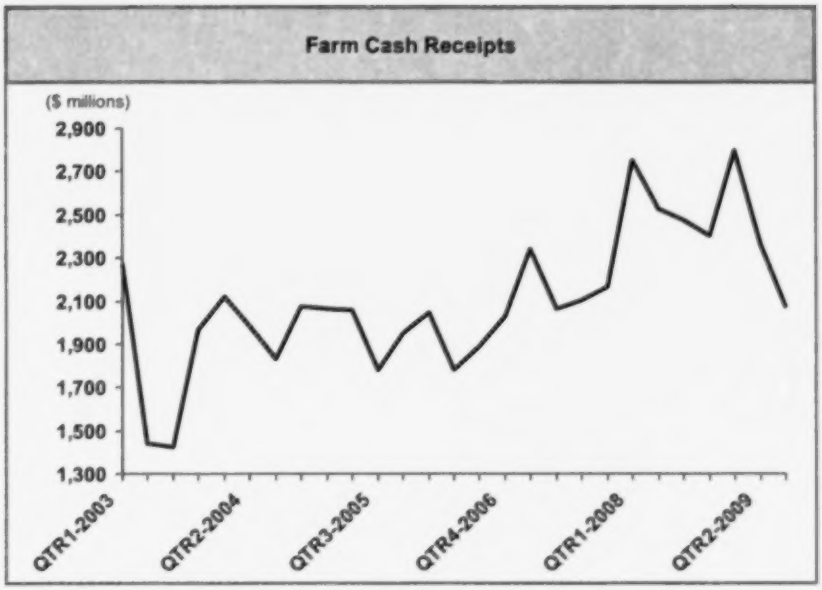
Source: Energy Resources Conservation Board and Alberta Finance and Enterprise.

Manufacturing Exports to Recover

The overall value of Alberta's manufacturing shipments were down 22.8% in the first eleven months of 2009 compared to the previous year. Shipments of chemicals were down 35.1% through November 2009, while petroleum and coal products were down 31.1% and wood products 28.5%. Despite the high Canadian dollar, Alberta's manufacturing exports are expected to improve due to lower costs and the US recovery.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Farm Cash Receipts



Total market receipts fell by 2.6% through the first three quarters of 2009 as the global recession reduced prices for both crops and livestock. In addition, the creation of protectionist trade barriers and new mandatory country of origin labeling in the US have hurt agriculture exports and access to markets. As the global economy recovers, market receipts are expected to improve.

Source: Statistics Canada.

Corporate Profits to Recover in 2010

Corporate profits are expected to stage a recovery in 2010 due to reduced cost pressures, stronger energy prices and an improved outlook for exports.

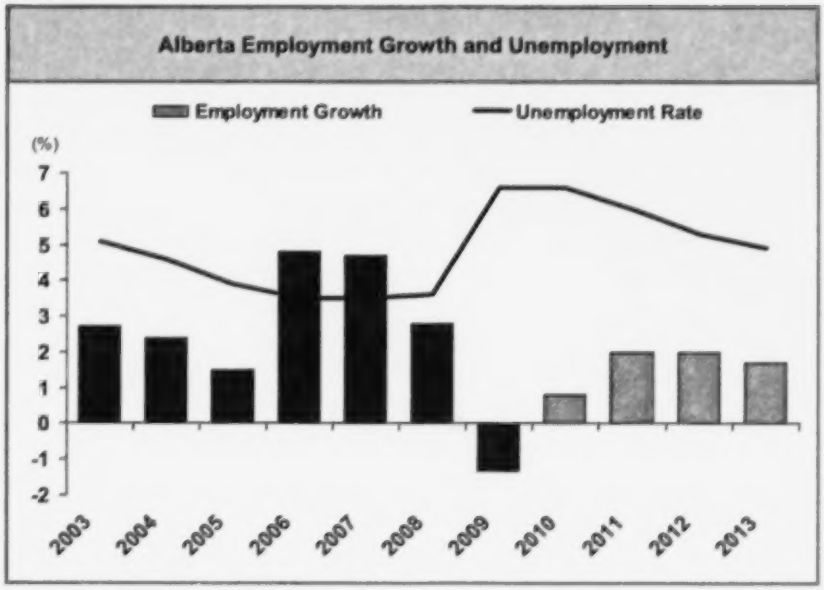
Even though the level of corporate profits is forecast to be lower than the record levels of recent years, corporate profits are still expected to account for 14% of Alberta's economy in 2010, very close to the long-term average of 15%. The long-term average for Canada as a whole is 10%.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Employment Growth and Unemployment

The recession led to a drop of 25,200 in average employment in Alberta between 2008 and 2009, increasing the unemployment rate from 3.6% to 6.6%. Nonetheless, Alberta still had the third lowest unemployment rate among the provinces. Stronger domestic demand and higher corporate profits are expected to lead to a modest rise of 15,000 (0.8%) in average employment in 2010.

The unemployment rate is expected to average 6.6% for 2010 as a whole, similar to the rate prevailing at the end of 2009. The unemployment rate is expected to gradually decline to 4.9% by 2013.

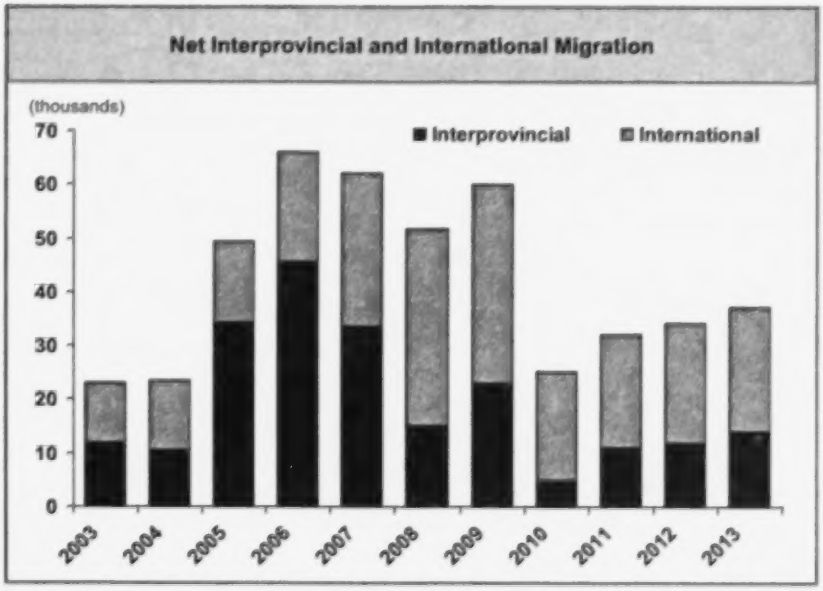


Sources: Statistics Canada and Alberta Finance and Enterprise.

Migration Moderates

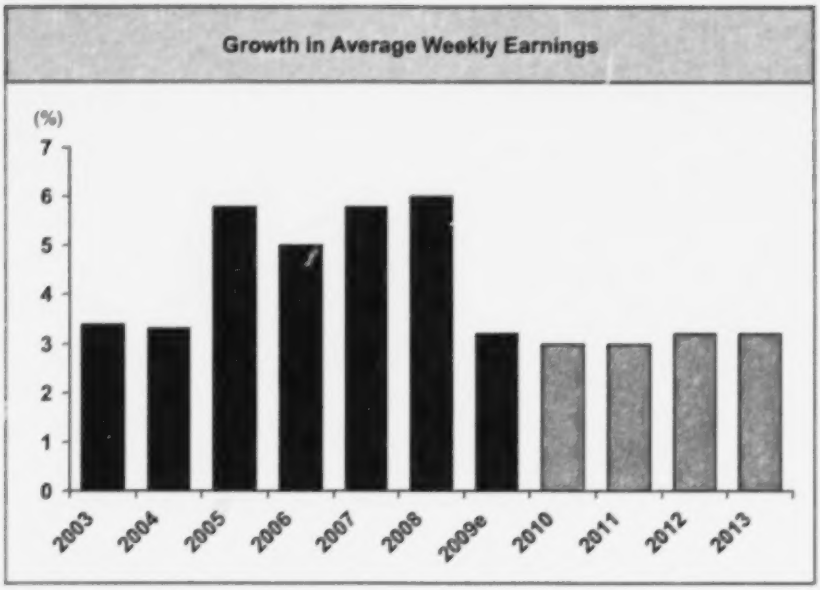
Net interprovincial migration to Alberta is largely driven by Alberta's relative economic performance.

A return to growth in central Canada and a modest economic recovery in Alberta is likely to keep net interprovincial migration lower than in recent years. Net inflows of permanent residents are expected to remain near current record levels, although net inflows of non-permanent residents are expected to drop off sharply as a result of reduced labour shortages. Total population growth is expected to slow to 1.5% in 2010, and then to edge up to 1.7% in subsequent years as interprovincial migration picks up.



Sources: Statistics Canada and Alberta Finance and Enterprise.

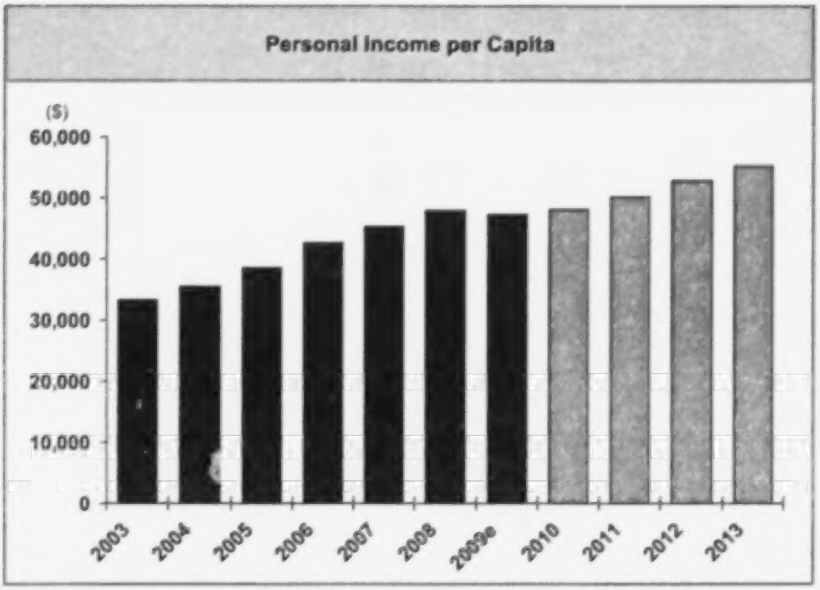
Wage Growth Moderating



Growth in average weekly earnings dropped from 6% in 2008 to an estimated 3.2% in 2009, and is expected to remain around this level due to fewer labour shortages. Wage gains, however, are expected to outpace increases in living costs as inflationary pressures have lessened.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Modest Increases in Personal Income



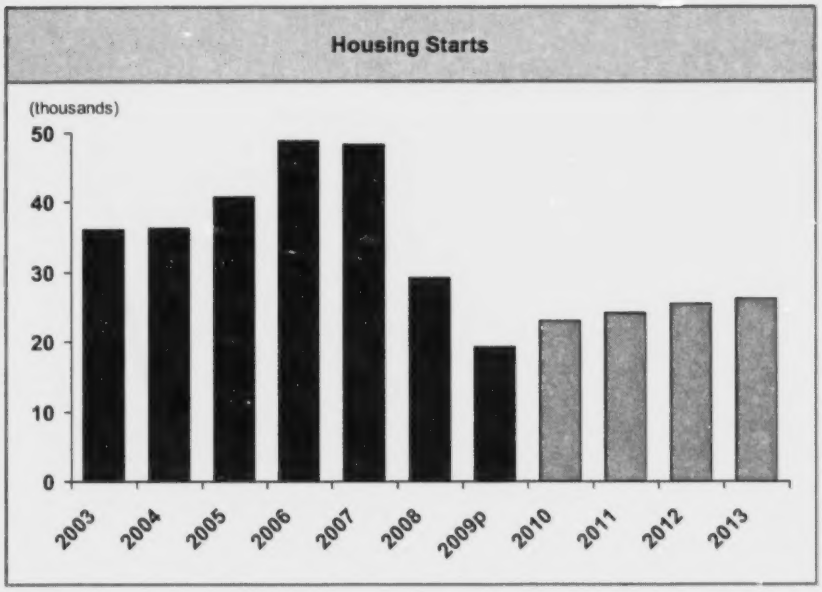
After rising rapidly in the middle part of the decade, growth in per capita personal income is expected to be minimal in 2010 due to modest growth in labour income and lower investment income. Income growth is expected to strengthen in 2011 as the recovery picks up. Alberta continues to have the highest per capita personal income among the provinces.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Housing Recovery Sustained

Continued low interest rates and improved employment prospects are expected to sustain the recovery in Alberta's housing market evident in the second half of 2009.

Over the medium term, housing starts are expected to keep pace with the growth in the number of households.

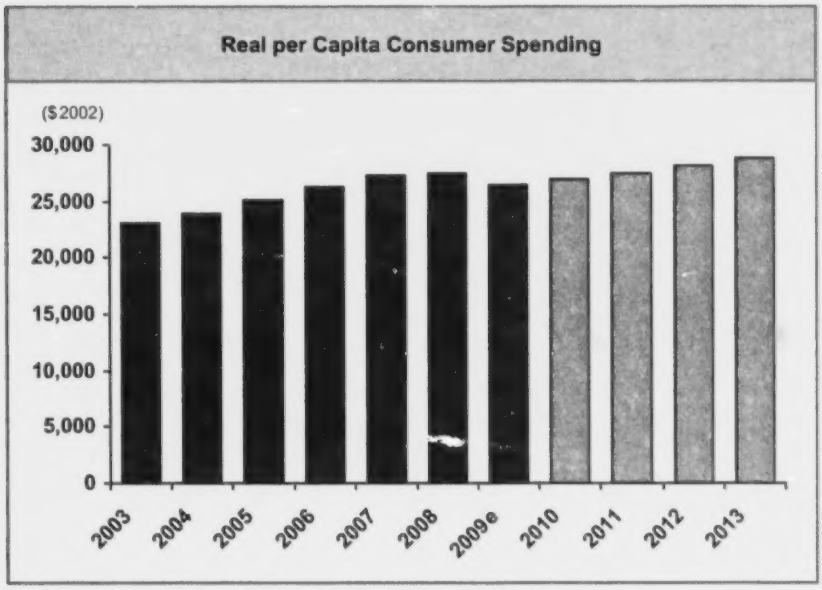


Sources: Canada Mortgage and Housing Corporation and Alberta Finance and Enterprise.

Consumer Spending

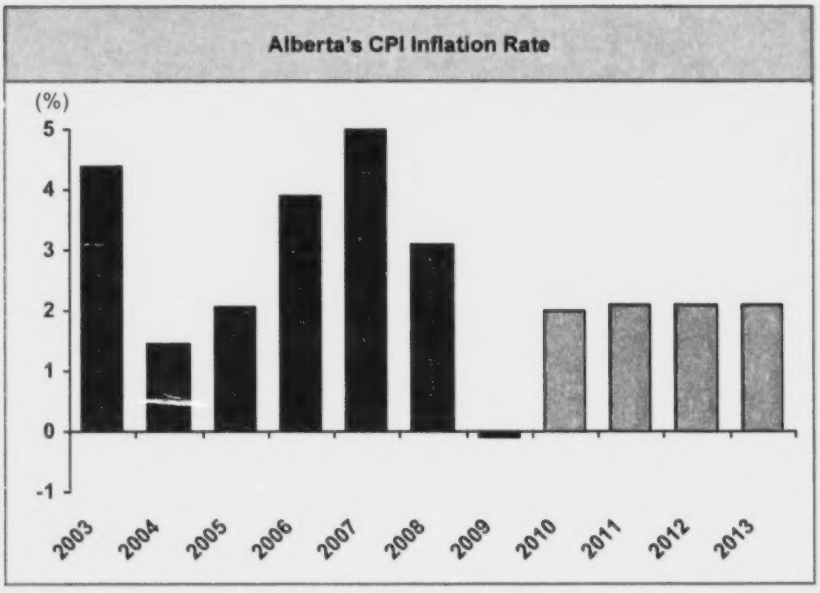
After growing by an average of 12% per year during the boom, retail sales in Alberta were essentially flat in 2008 and dropped sharply in 2009. Although part of the 2009 drop was due to lower gasoline prices, sales of new motor vehicles and home furnishings also fell sharply.

As the economic recovery strengthens, improved consumer confidence is expected to reduce Alberta's current high personal savings rate and support annual growth in real per capita consumer spending of about 2% in the near term.



Sources: Statistics Canada and Alberta Finance and Enterprise.

Inflationary Pressures Ease



Alberta is no longer the inflation leader among the provinces. Alberta's near zero inflation rate in 2009 marks the first time since 2005 that Alberta's inflation rate has been below the national average.

Alberta's inflation is expected to be similar to the national rate of around 2% over the forecast horizon.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Sustainable Growth

After contracting by an estimated 2.5% in 2009, Alberta's economy began to strengthen towards the end of the year with both employment and the housing sector picking up.

The economy is expected to expand by a modest 2.6% in 2010.

As the global recovery continues, stronger exports, higher levels of business investment and consumer spending are expected to sustain growth. Between 2011 and 2013, economic growth is projected to average 3%, more sustainable than the average growth of 5.4% between 2004 and 2006.

Sources: Statistics Canada and Alberta Finance and Enterprise.

ANNEX RISKS, SENSITIVITIES AND BENCHMARKING

RISKS TO THE ECONOMIC OUTLOOK

GLOBAL RECOVERY

- The pace at which global authorities withdraw the current fiscal and monetary stimulus is the largest risk to the economic forecast. There is a possibility of a double-dip recession if the stimulus is withdrawn too quickly, which would likely depress energy prices and Alberta's exports.
- Should fiscal and monetary stimulus be withdrawn too slowly, rising inflation could result in central banks raising interest rates, which would increase debt payments for households, firms and governments in deficit.
- There is a chance that North America could bounce back more quickly than is currently forecast, which would lead to more rapid growth in the Alberta economy.

US DOLLAR

- Further weakening or increased volatility of the US dollar remains a significant risk to the global, and particularly North American economic recovery.

ENERGY PRICES

- The strength of oil prices will be strongly influenced by the underlying strength of the global economic recovery. An unexpectedly rapid recovery could lead to price spikes in the near-term as investment in new global supplies has been somewhat limited by the global financial crisis and ensuing recession.
- The outlook for natural gas prices remains a source of major uncertainty, and could be strongly affected by technological advances that increase US gas production.

Sensitivities to Fiscal Year Assumptions, 2010–11[a]

(millions of dollars)

	Change	Net Impact (2010-11)
Oil Price (WTI US$/bbl)	-$1.00	-186
Natural Gas Price (Cdn$/GJ)	-10 Cents	-93
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-215
Interest Rates	+1%	-141
Equity Market Returns	-1%	-74
Personal Income	-1%	-127

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Oil Price Benchmark

West Texas Intermediate (US$/bbl)

Organization	2010	2011	2012	2013
National Forecasting Agencies				
Conference Board of Canada (Jan/10)	78.08	85.64	95.20	108.17
Global Insight (Jan/10)	68.13	77.17	83.16	87.02
Centre for Spatial Economics (Dec/09)	75.00	80.00	90.00	95.90
Banks and Investment Dealers				
BMO Capital Markets (Dec/09)	77.00	85.00	n/a	n/a
Credit Suisse (Dec/09)	70.00	70.00	70.00	70.00
CIBC World Markets (Dec/09)	70.00	80.00	n/a	n/a
Goldman Sachs (Dec/09)	90.00	110.00	105.00	85.00
JP Morgan (Dec/09)	78.25	90.00	105.00	120.00
National Bank Financial Equity Research (Jan/10)	75.00	75.00	80.00	80.00
Peters & Co. Limited (Jan/10)	85.34	89.40	92.87	92.87
RBC Capital Markets (Dec/09)	80.00	90.00	85.00	85.00
Scotiabank (Jan/10)	90.00	92.00	n/a	n/a
Toronto Dominion Bank (Jan/10)	80.00	84.50	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Jan/10)	79.83	83.50	n/a	n/a
GLJ Petroleum Consultants (Jan/10)	80.00	83.00	86.00	89.00
Sproule Associates Limited (Dec/09)	79.17	84.46	86.89	90.20
Confidential Forecasts Provided to Alberta Energy[a]				
Average	75.85	82.78	89.46	94.27
High	90.00	110.00	105.00	120.00
Low	65.00	70.00	70.00	70.00
Average of All Private Forecasts	77.54	84.38	89.15	92.16
Alberta Government (calendar year)	**77.74**	**82.08**	**87.93**	**93.08**

[a] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from CERI, PIRA, KBC, Petral, Purvin & Gertz, CERA, CGES, Wood Mackenzie and Ross Smith Energy. The annual figures presented here are the average forecast prices from these sources. High/ Low forecasts may represent one of the confidential forecasts.

Includes forecasts finalized on or before January 12, 2010.

How Oil Price Forecasters Did in Budget 2009

West Texas Intermediate (US$/bbl)

Organization	How did they do in Budget 2009?
National Forecasting Agencies (3)	41.81
Banks and Investment Dealers (10)	47.77
Industry Analysts (4)	48.12
Confidential Forecasts (9)	51.76
Average	**48.52**
Alberta Government (calendar year)	**50.81**
Actual	**61.80**

Sources: Alberta Finance and Enterprise and Alberta Energy.

Both the Government of Alberta and the private sector substantially underestimated oil prices for 2009.

Natural Gas Price Benchmark

Henry Hub (US$/MMBTU)[a]

Organization	2010	2011	2012	2013
National Forecasting Agencies				
Conference Board of Canada (Jan/10)	5.23	6.72	7.58	8.95
Global Insight (Jan/10)	3.97	5.19	5.33	5.38
Centre for Spatial Economics (Dec/09)	5.50	6.50	6.70	6.70
Banks and Investment Dealers				
BMO Capital Markets (Dec/09)	5.20	6.00	n/a	n/a
Credit Suisse (Dec/09)	5.25	6.50	7.00	7.00
CIBC World Markets (Dec/09)	5.50	6.50	n/a	n/a
JP Morgan (Dec/09)	5.94	6.23	n/a	n/a
National Bank Financial Equity Research (Jan/10)	5.75	6.50	7.00	7.00
Peters & Co Limited (Jan/10)	5.93	6.42	6.71	6.71
RBC Capital Markets (Dec/09)	6.00	6.50	6.50	6.50
Scotiabank (Jan/10)	5.50	5.50	n/a	n/a
Toronto Dominion Bank (Jan/10)	5.63	6.78	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Jan/10)	5.36	6.12	n/a	n/a
GLJ Petroleum Consultants (Jan/10)	6.00	7.00	7.10	7.15
Sproule Associates Limited (Dec/09)	5.70	6.48	6.70	7.43
Confidential Forecasts Provided to Alberta Energy[b]				
Average	4.49	5.47	5.69	6.02
High	6.10	7.00	7.58	8.95
Low	3.38	4.98	5.24	5.38
Average of All Private Forecasts	5.29	6.19	6.47	6.74
Alberta Government (calendar year)	**4.71**	**6.03**	**6.31**	**6.59**

[a] The natural gas price is the US price of gas at Henry Hub Louisiania, as this is the benchmark for natural gas in the rest of North America. The Alberta Government forecast in the table above is the Alberta Reference Price (used in natural gas royalty calculations) adjusted for the exchange rate and transportation costs to be equivalent to the price of Alberta natural gas at Henry Hub Louisiana.

[b] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from PIRA, Petral, CERA and Wood McKenzie. The annual figures presented here are the average forecast prices from these sources. High/ Low forecasts may represent one of the confidential forecasts.

Includes forecasts finalized on or before January 12, 2010.

Both the Government of Alberta and the private sector substantially overestimated natural gas prices for 2009.

How Natural Gas Price Forecasters Did in Budget 2009

Henry Hub (US$/MMBTU)

Organization	How did they do in Budget 2009?
National Forecasting Agencies (3)	5.80
Banks and Investment Dealers (9)	5.48
Industry Analysts (3)	5.54
Confidential Forecasts (5)	4.85
Average	**5.38**
Alberta Government (calendar year)	**5.34**
Actual	**3.99**

Sources: Alberta Finance and Enterprise and Alberta Energy.

Alberta Real Gross Domestic Product Benchmark

(per cent change)

Organization	2010	2011	2012	2013
National Forecasting Agencies				
Conference Board of Canada (Sep/09)	3.0	4.9	5.6	4.1
Global Insight (Nov/09)	2.5	4.7	4.3	3.6
Centre for Spatial Economics (Dec/09)	2.8	4.0	2.8	3.0
Banks				
BMO Capital Markets (Jan/10)	3.0	4.2	n/a	n/a
CIBC World Markets (Nov/09)	2.1	4.8	n/a	n/a
RBC Royal Bank (Dec/09)	2.4	4.4	n/a	n/a
Scotiabank (Jan/10)	2.9	3.5	n/a	n/a
Toronto Dominion Bank (Jan/10)	2.5	3.5	n/a	n/a
Laurentian Bank (Sep/09)	2.5	2.7	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/09)	2.5	n/a	n/a	n/a
High	3.0	4.9	5.6	4.1
Low	2.1	2.7	2.8	3.0
Average of All Private Forecasts	2.6	4.1	4.2	3.6
Alberta Government (calendar year)	**2.6**	**2.9**	**3.0**	**3.1**

Includes forecasts finalized on or before January 12, 2010.

United States/Canada Exchange Rate Benchmark

(US¢/Cdn$)

Organization	2010	2011	2012	2013
National Forecasting Agencies				
Conference Board of Canada (Jan/10)	95.5	96.4	97.2	97.9
Global Insight (Jan/10)	90.5	91.2	93.0	93.2
Centre for Spatial Economics (Dec/09)	92.3	91.2	91.0	90.4
Banks				
BMO Capital Markets (Jan/10)	98.8	101.4	n/a	n/a
CIBC World Markets (Dec/09)	95.4	n/a	n/a	n/a
RBC Royal Bank (Jan/10)	98.0	97.1	n/a	n/a
Scotiabank (Jan/10)	100.8	104.3	n/a	n/a
Toronto Dominion Bank (Dec/09)	103.3	96.0	n/a	n/a
Laurentian Bank (Jan/10)	95.0	n/a	n/a	n/a
High	103.3	104.3	97.2	97.9
Low	90.5	91.2	91.0	90.4
Average of All Private Forecasts	96.6	96.8	93.7	93.8
Alberta Government (calendar year)	**95.0**	**95.0**	**95.0**	**95.0**

Includes forecasts finalized on or before January 12, 2010.

Canadian Short-Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2010	2011	2012	2013
National Forecasting Agencies				
Conference Board of Canada (Jan/10)	0.66	3.65	4.59	4.60
Global Insight (Nov/09)	0.64	2.37	3.38	4.31
Centre for Spatial Economics (Dec/09)	0.50	1.40	2.80	3.50
Banks				
BMO Capital Markets (Jan/10)	0.63	2.46	n/a	n/a
CIBC World Markets (Dec/09)	0.29	n/a	n/a	n/a
RBC Royal Bank (Jan/10)	1.45	3.60	n/a	n/a
Scotiabank (Jan/10)	0.98	2.23	n/a	n/a
Toronto Dominion Bank (Dec/09)	0.56	2.55	n/a	n/a
Laurentian Bank (Jan/10)	0.69	n/a	n/a	n/a
High	1.45	3.65	4.59	4.60
Low	0.29	1.40	2.80	3.50
Average of All Private Forecasts	0.71	2.61	3.59	4.14
Alberta Government (calendar year)	**0.85**	**2.90**	**4.00**	**4.00**

Includes forecasts finalized on or before January 12, 2010.

Canadian Long-Term Interest Rate Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2010	2011	2012	2013
National Forecasting Agencies				
Conference Board of Canada (Jan/10)	3.83	4.66	5.31	5.57
Global Insight (Nov/09)	3.68	4.07	4.63	4.93
Centre for Spatial Economics (Dec/09)	4.00	5.10	4.50	4.70
Banks				
BMO Capital Markets (Jan/10)	3.67	4.31	n/a	n/a
CIBC World Markets (Dec/09)	3.64	n/a	n/a	n/a
RBC Royal Bank (Jan/10)	4.25	4.25	n/a	n/a
Scotiabank (Jan/10)	4.04	4.61	n/a	n/a
Toronto Dominion Bank (Dec/09)	3.84	4.53	n/a	n/a
Laurentian Bank (Jan/10)	3.45	n/a	n/a	n/a
High	4.25	5.10	5.31	5.57
Low	3.45	4.07	4.50	4.70
Average of All Private Forecasts	3.82	4.50	4.81	5.07
Alberta Government (calendar year)	**3.90**	**4.55**	**4.95**	**5.00**

Includes forecasts finalized on or before January 12, 2010.

TAX PLAN

BUDGET 2010

Striking the Right Balance

TAX PLAN

BUDGET 2010
Striking the Right Balance

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TAX PLAN

HIGHLIGHTS

- Alberta maintains its tax advantage.
- Personal income tax credit amounts indexed to inflation.
- Education property tax rates fall 13.5%.

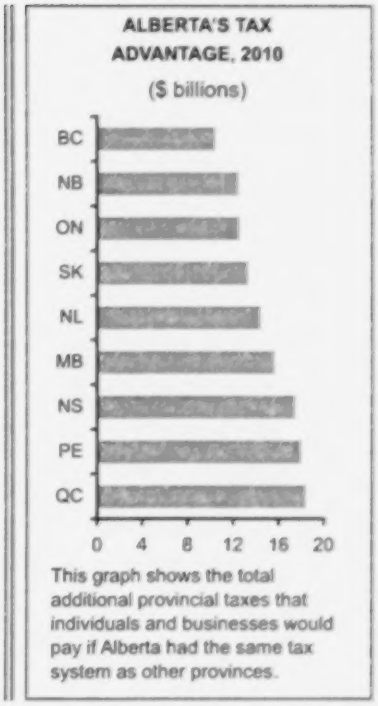
INTRODUCTION

Despite changes to the tax systems in other provinces, Albertans will continue to pay the lowest taxes in Canada. If Alberta had any other provincial tax system, Albertans and Alberta businesses would pay at least $10.3 billion more in taxes each year.

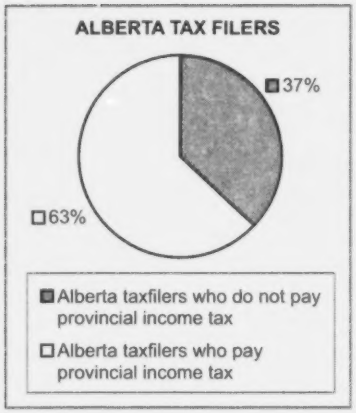
Alberta's personal income tax system levies the lowest top marginal rate which helps to attract and retain highly skilled workers. At the same time, it treats low income individuals and families fairly with large basic credit amounts and support through the Alberta Family Employment Tax Credit.

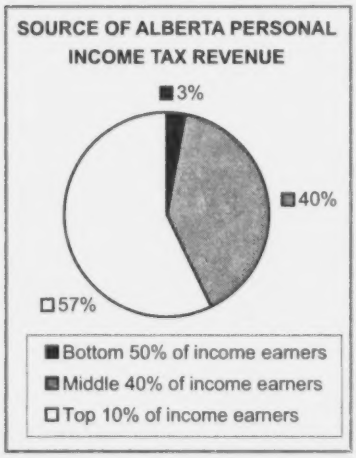
In addition to our fair and competitive personal income tax system, Albertans enjoy the lowest fuel taxes in Canada and no provincial sales tax. Alberta businesses benefit from the strong business environment created by our low corporate income taxes, no payroll taxes, no capital taxes, and no provincial sales tax.

We are committed to maintaining our province's tax advantage. In this budget, the government confirms its pledge to no tax increases. Alberta will continue to be Canada's most competitive tax jurisdiction.



This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same tax system as other provinces.


ALBERTA TAX FILERS
37%
63%
Alberta taxfilers who do not pay provincial income tax
Alberta taxfilers who pay provincial income tax



ALBERTA'S TAX SYSTEM AND LOW INCOME INDIVIDUALS

Alberta's tax system is fair for low income individuals and families.

Of the nearly 2.7 million Albertans who file a personal income tax return, 1.9 million are subject to federal income tax, while 1.7 million (or 63%) are subject to provincial income tax.

Our personal income tax system protects individuals and families with lower incomes by providing high basic personal and spousal credits. These credits ensure that a certain amount of income is exempt from tax. In 2010, the Alberta basic personal and spousal credit amounts will be $16,825. This means the government exempts the first $16,825 an individual earns from tax ($33,650 for a couple). These credit amounts reflect that individuals and families should be able to earn a minimum amount before they start paying any income tax.

In Alberta, after taking into account commonly claimed non-refundable tax credits (personal, spousal, EI, CPP, age and pension):

- A single working individual can earn at least $17,844 before paying any provincial income tax.
- A family of four or a single parent with two children can earn at least $45,112 before paying any provincial income tax.
- Senior couples can receive up to $45,620 before paying any provincial income tax.

What Canadians Can Earn Before Paying Provincial Income Tax, 2010
(dollars)

	AB	Rank	BC	SK	MB	ON	QC	NB	NS	PE	NL
Single individual	17,844	2	18,849	16,281	10,604	13,769	16,248	17,430	12,292	10,808	16,025
Married couple	34,875	1	31,414	32,575	20,335	22,948	28,729	24,745	20,746	18,961	20,521
Married couple (two children)	45,112	2	31,414	42,281	26,572	43,311	50,922	27,152	22,816	22,105	22,163
Single parent (two children)	45,216	1	25,015	37,297	24,044	40,724	39,624	27,129	22,432	19,832	26,812
Single senior	22,811	1	21,569	21,886	19,113	20,249	21,048	20,035	18,376	17,746	18,386
Married senior couple	45,620	1	42,762	41,519	33,560	37,251	35,920	30,610	29,935	29,019	29,061

Note: Tax calculations include the basic personal, spousal and eligible dependant credits as well as EI, CPP, age and pension credits. Seniors' incomes include private pension income as well as CPP, Old Age Security (OAS) and Guaranteed Income Supplement (GIS).

INDEXATION

Alberta continues to index its personal income tax system to inflation. In 2010, credit amounts will increase 0.3%. Basic personal and spousal amounts will rise to $16,825 in 2010, from $16,775 in 2009.

Indexation will also increase benefits for recipients of the Alberta Family Employment Tax Credit. Beginning in July 2010, payments will rise to $696 for one child, $1,329 for two children, $1,709 for three children, and $1,836 for four or more children. The income level at which the credit starts to phase out will also rise, to $33,974.

Alberta Non-Refundable Tax Credit Block
(dollars)

	2009		2010	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	16,775	1,678	16,825	1,683
Spousal amount	16,775	1,678	16,825	1,683
Eligible dependant amount	16,775	1,678	16,825	1,683
Age amount	4,675	468	4,689	469
Infirm dependant amount	9,710	971	9,740	974
CPP contributions	2,119	212	2,163	216
EI premiums	732	73	747	75
Pension income amount	1,292	129	1,296	130
Disability amount	12,940	1,294	12,979	1,298
Disability supplement	9,710	971	9,740	974
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	11,473	1,147	11,507	1,151
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	11,473	1,147	11,507	1,151
Caregiver amount	9,711	971	9,739	974
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first $200	200	20	200	20
- over $200	75% of income	Variable	75% of income	Variable

In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over $200, the credit rate is 21%.

TAXES PAY FOR PUBLIC SERVICES

Taxes provide critical funding for public programs and services valued by Albertans. Alberta's tax system helps pay for public education, health services, infrastructure and law enforcement, among other services.

Alberta's tax system is designed to raise the revenue necessary to pay for these programs and services in an efficient and effective manner that is equitable to all Albertans. The principles of a good tax system are:

- **Efficiency** – The tax system is able to raise revenues with the least possible impact on the economy.
- **Effectiveness** – The tax system is able to raise sufficient revenues and achieve socio-economic goals.
- **Fairness** – Similar taxpayers face similar tax burdens and those who cannot afford to pay as much tax pay less than those who can.
- **Stability** – The tax system is not overly reliant on volatile taxes that could jeopardize funding for services during low points in the business cycle.
- **Competitiveness** – The tax system compares favourably with systems in other jurisdictions, thus attracting businesses, investors and highly skilled workers.

The Government of Alberta strikes a balance between these competing principles and continually monitors the state of our tax system.

AGGRESSIVE TAX PLANNING

All Albertans consume government services and should pay a fair level of taxes. Unfortunately, aggressive tax planning is a growing concern for governments across Canada. Aggressive tax planning and avoidance hinders the effectiveness and stability of Alberta's tax system by jeopardizing the province's ability to raise sufficient revenue. Unchecked, it would reduce the fairness of the system as other Albertans and Alberta businesses would have to pay more taxes to make up the lost tax revenue. In the long run, Alberta's economy would be hurt and its tax system would become less competitive if tax rates had to increase as a result of unstemmed aggressive tax planning and avoidance.

Canadian tax authorities have identified several schemes they agree constitute aggressive tax planning. Recent examples include a complex set of transactions using interest expenses to move income out of Alberta for the sole purpose of eliminating Alberta tax. Another scheme exploits legislative differences between provinces to elect different year ends in different provinces to avoid provincial tax on capital gains. Alberta estimates that over $250 million is currently at risk in these and similar schemes.

Alberta has taken measures to protect the provincial tax base. Alberta Finance and Enterprise is working diligently with other provincial and federal jurisdictions to identify and pursue tax avoidance schemes. Alberta has increased its capacity to identify, audit and litigate these transactions. Recent amendments to the Alberta personal and corporate income tax acts have strengthened Alberta's legislation in this area.

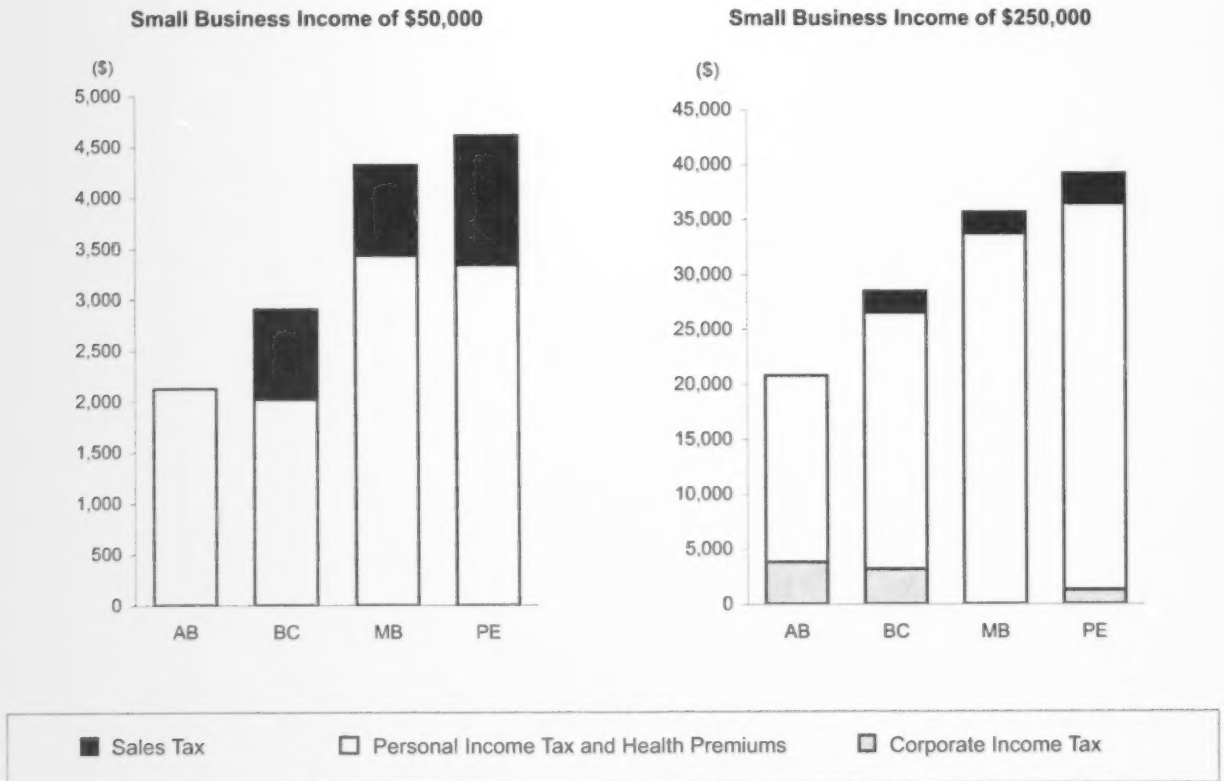
Alberta will continue to take the actions necessary to safeguard provincial tax revenue. In doing so, it is also protecting the vast majority of Albertans and Alberta businesses who meet their tax obligations.

TAX COMPETITIVENESS FOR SMALL BUSINESSES

Small business owners pay lower taxes in Alberta than they would in any other province. In recent years, a number of provinces have reduced small business tax rates and increased small business thresholds. Although small business corporations in British Columbia, Manitoba and Prince Edward Island could pay less income tax than their counterparts in Alberta, when all taxes are taken into account, Alberta small business owners are still better off.

Small business owners pay less tax in Alberta.

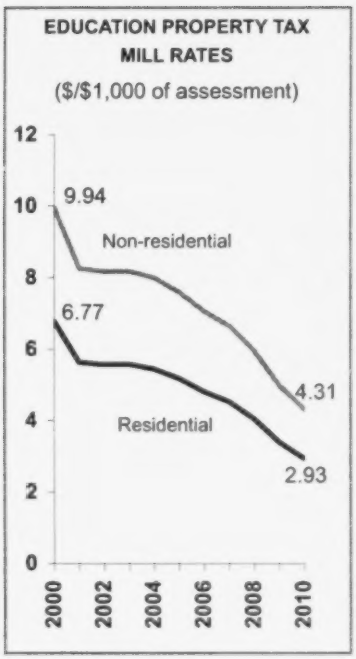
Provincial Taxes Paid By a Small Business Owner, 2010



Notes:

- Small business income is before compensation is paid to the owner.
- It is assumed that the owner is paid a salary until RRSP contributions are maximized, with any remainder taken as dividends.

EDUCATION PROPERTY TAXES



2010 marks the 17th consecutive year that education property tax rates have either been frozen or reduced in Alberta. Property taxes in Alberta are levied by both the province and municipalities, with the provincial portion going to support education funding.

Over the years, education property tax has been a stable source of revenue for Alberta's basic education system. In 2010–11, revenue from education property tax will cover about 30% of the cost of funding Alberta's education system, not including infrastructure.

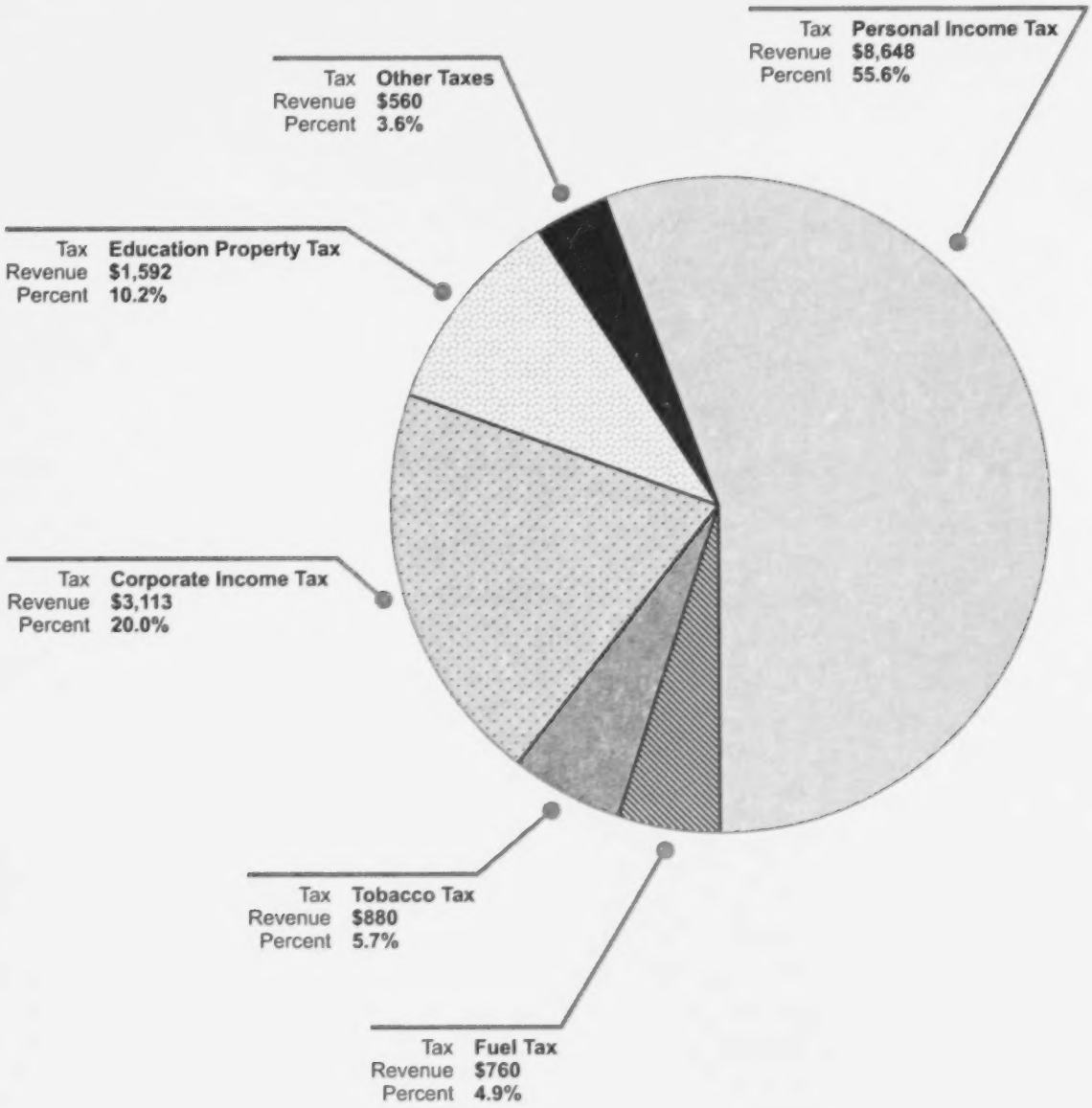
While education property tax revenue is increasing, mill rates are being reduced by 13.5% in 2010–11 to offset inflationary growth in the provincial assessment base. Consequently, the residential/farm property rate will fall from $3.39 to $2.93 per $1,000 of equalized assessment. The non-residential rate will fall from $4.98 to $4.31 per $1,000 of equalized assessment.

Since 2000, education property tax rates have declined by 57%.

TABLES AND CHARTS

2010–11 Tax Revenue ($15,553 million)

(millions of dollars)



2010–11 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax	**8,648**		
Single-rate tax	8,762	10.0%	876.2 per point
Family Employment Tax Credit	(114)		n/a
2. Corporate Income Tax	**3,113**		
General	2,822	10.0%	282.2 per point
Small business	291	3.0%	97.0 per point
3. Education Property Tax[a]	**1,592**		
Residential/farm property	947	$2.93 / $1,000 of assessment	323.2 per mill
Non-residential	645	$4.31 / $1,000 of assessment	149.7 per mill
4. Tobacco Tax	**880**	$40/carton	22.0 per $/carton
5. Fuel Tax	**760**		
Gasoline and diesel	737	9.0 ¢/litre	81.9 per ¢/litre
Propane	5	6.5 ¢/litre	0.8 per ¢/litre
Aviation	14	1.5 ¢/litre	9.3 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. Freehold Mineral Rights Tax	**167**		n/a
7. Insurance Taxes	**330**		
Life, accident, sickness	84	2% of premium	42.0 per point
Other	246	3% of premium	82.0 per point
8. Tourism Levy	**63**	4.0%	15.8 per point

[a] Does not include revenue of approximately $199 million raised for opted-out school boards.

Interprovincial Tax and Health Care Premium Comparison, 2010

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of $30,000 – One Income Family with Two Children										
Provincial income tax	**(1,327)**	312	(617)	267	(1,480)	(4,498)	306	820	1,066	502
Provincial sales tax	**-**	632	624	955	305	1,047	1,292	1,173	1,328	1,278
Health care premium	**-**	-	-	-	225	-	-	-	-	-
Payroll tax	**-**	-	-	234	273	624	-	-	-	100
Fuel tax	**270**	435	450	345	441	456	321	465	474	495
Total	**(1,057)**	1,379	457	1,801	(236)	(2,371)	1,919	2,458	2,868	2,375
Alberta Advantage		2,436	1,514	2,858	821	(1,314)	2,976	3,515	3,925	3,432
Employment Income of $75,000 – Two Income Family with Two Children										
Provincial income tax	**2,630**	1,935	2,649	4,518	1,776	2,559	4,098	4,476	4,723	3,868
Provincial sales tax	**-**	1,498	1,010	1,533	1,846	2,027	2,093	1,917	2,176	2,092
Health care premium	**-**	1,026	-	-	563	-	-	-	-	-
Payroll tax	**-**	-	-	584	682	1,559	-	-	-	249
Fuel tax	**405**	653	675	518	662	684	482	698	711	743
Total	**3,035**	5,112	4,334	7,153	5,529	6,829	6,673	7,091	7,610	6,952
Alberta Advantage		2,077	1,299	4,118	2,494	3,794	3,638	4,056	4,575	3,917
Employment Income of $125,000 – Two Income Family with Two Children										
Provincial income tax	**6,873**	5,030	7,787	10,014	5,660	10,598	9,020	10,670	10,319	9,069
Provincial sales tax	**-**	2,292	1,505	2,300	2,779	2,909	3,154	2,849	3,265	3,137
Health care premium	**-**	1,026	-	-	788	-	-	-	-	-
Payroll tax	**-**	-	-	974	1,137	2,598	-	-	-	415
Fuel tax	**405**	653	675	518	662	684	482	698	711	743
Total	**7,278**	9,001	9,967	13,806	11,026	16,789	12,656	14,217	14,295	13,364
Alberta Advantage		1,723	2,689	6,528	3,748	9,511	5,378	6,939	7,017	6,086

Calculations are based on other provinces' tax parameters known as of January 20, 2010.

Assumptions:

* Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
* Health care premiums are net of premium subsidies.
* In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care premiums.
* Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
* RRSP/RPP contributions of $1,000, $9,700 and $16,800 are included in the calculation of personal income tax for the $30,000, $75,000 and $125,000 families, respectively.
* For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
* The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2010

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	5.06	11.00	10.80	5.05	16.00 [a]	9.30	8.79	9.80	7.70
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 [a]	14.30	17.50	16.70	15.50
Surtax	(%)	-	-	-	-	20/36	-	-	10.0	10.0	-
Combined federal/provincial top marginal rate [b]	(%)	39.00	43.70	44.00	46.40	46.41	48.22	43.30	48.25	47.37	44.50
Personal amount	($)	16,825	11,000	13,348	8,134	8,943	10,505	8,777	8,231	7,708	7,833
Spousal amount	($)	16,825	9,653	13,348	8,134	7,594	10,505	7,453	6,989	6,546	6,400
Corporate Income Tax											
General rate	(%)	10.0	10.5	12.0	12.0	12.0 [d]	11.9	11.0 [e]	16.0	16.0	14.0
M&P rate	(%)	10.0	10.5	10/12 [c]	12.0	10.0 [d]	11.9	11.0 [e]	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	2.5	4.5	- [f]	4.5 [d]	8.0	5.0	5.0	1.0	5.0
- threshold	($000)	500	500	500	400	500	500	500	400	500	500
Capital Tax											
General	(max.%)	-	-	-	0.2	- [d]	0.12	-	0.1 [g]	-	-
Financial institutions	(max.%)	-	- [h]	3.25	3.0	- [d]	0.49 [i]	3.0	4.0	5.0	4.0
Sales Tax	(%)	-	7.0	5.0	7.0	8.0	7.5 [j]	8.0	8.0	10.0 [j]	8.0
Gasoline Tax	(cents/litre)	9.0	19.0 [k]	15.0	11.5	14.7 [l]	15.2 [k, l]	10.7 [l]	15.5 [l]	15.8 [m]	16.5 [l]
Tobacco Tax	(dollars/carton)	40.00	37.00 [l]	36.60 [l]	37.00 [l]	24.70 [l]	20.60	23.50 [l]	43.04 [l]	44.90	36.00 [l]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26 [n]	-	-	-	2.00

Rates for other provinces known as of January 20, 2010.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The top federal personal income tax rate is 29%, except in Quebec where the top federal rate is 24.22% because of the federal abatement.

[c] The general corporate income tax rate is reduced by up to 2 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[d] Ontario will cut its general corporate income tax rate from 14% to 12%, its manufacturing and processing rate from 12% to 10%, and its small business rate from 5.5% to 4.5% on July 1, 2010. The province will also eliminate its capital taxes on general corporations and financial institutions on July 1, 2010.

[e] New Brunswick's general corporate income tax rate will fall from 12% to 11% on July 1, 2010.

[f] Manitoba will reduce its small business tax rate to zero on December 1, 2010.

[g] Nova Scotia will reduce its Large Corporations Tax from 0.15% to 0.10% on July 1, 2010.

[h] British Columbia will eliminate its Corporation Capital Tax for financial institutions on April 1, 2010, but will subsequently levy a financial institutions minimum tax of 1% of paid-up capital.

[i] Quebec's financial institutions capital tax includes a base rate of 0.24% and a compensatory tax of 0.25%.

[j] These provinces apply their sales tax on the retail price of the good inclusive of the Goods and Services Tax.

[k] The British Columbia rate is 14.5 ¢/litre plus the carbon tax on gasoline, which is 3.33 ¢/litre until June 30, 2010, after which it will rise to 4.45 ¢/litre. An additional 6 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 1.5 ¢/litre in Montreal.

[l] These provinces apply their retail sales tax or the provincial portion of their harmonized sales tax on the retail price of the good inclusive of the particular excise tax.

[m] This rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price and is calculated on a monthly basis. The total tax rate is capped at 15.8 ¢/litre.

[n] Quebec levies an additional tax of up to 2% on the wages of financial institutions that is not included in this rate.

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RESPONSE TO THE AUDITOR GENERAL

BUDGET 2010

Striking the Right Balance

RESPONSE TO THE AUDITOR GENERAL

BUDGET 2010
Striking the Right Balance

RESPONSE TO THE AUDITOR GENERAL – OCTOBER 2009

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – October 2009* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Public Agencies – Executive Compensation	
1. Executive compensation practices We recommend that the Deputy Minister of Executive Council, through the Agency Governance Secretariat, assist public agencies and departments by providing guidance on executive compensation practices for all public agency senior executives.	**Accepted**. The Agency Governance Secretariat is working with Treasury Board and Corporate Human Resources to develop good practices in areas of CEO selection, evaluation and compensation. As these good practices are developed, the Secretariat will then provide general guidance on executive compensation practices for senior executives in public agencies. A work plan to implement this recommendation will be completed by the end of the 2009-10 fiscal year.
2. Disclosure of termination benefits paid We recommend that the Ministry of Treasury Board increase transparency of termination benefits by adopting disclosure practices for Alberta public agencies that disclose termination benefits paid.	**Under review**. This recommendation focuses on termination benefits, which is one component of compensation disclosure. Further to the government's response to the October 2008 Auditor General's recommendation for CEO compensation disclosure, the Ministry is reviewing the new private-sector compensation disclosure requirements, which include termination benefits, to determine their applicability to the public sector.
Alberta's Response to Climate Change	
3. Guidance to verifiers of facility baseline and compliance reports We recommend that the Department of Environment strengthen its baseline and compliance guidance for verifiers by improving the description of the requirements for: • the nature and extent of testing required • the content of verification reports • assurance competencies	**Accepted**. For the 2009 reporting cycle, the Department will revise guidelines for industry and verifiers. The Department will continue to address baseline and compliance issues and will also develop and clarify technical requirements, revise guidance documents and review best practices from other jurisdictions. The Department will continue to work with other government verification, accreditation and certification standards, and will consider adopting these standards as they become available.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
4. Use of offsets to meet compliance obligations We recommend that the Department of Environment: • strengthen its offset protocols to have sufficient assurance that offsets used for compliance are valid • assess the risk of offsets applied in Alberta having been used elsewhere in the world	**Accepted**. The Department will continue monitoring developments in national and international offset systems to ensure our system is consistent with best practices. The Department will also continue to identify registries and offset systems in other jurisdictions and work with them to find effective ways to reduce the risk of double counting.
5. Cost-effectiveness of regulatory processes We recommend that the Department of Environment assess the cost-effectiveness of the *Specified Gas Emitters Regulation*.	**Accepted**. The Department's review will determine if additional information is required to benchmark and assess the cost-effectiveness of the Province's regulatory processes. The Department will work with the regulated parties to understand the program's administrative costs to industry.
Electronic Health Records	
6. Oversight and accountability for electronic health records (EHR) We recommend that the Department of Health and Wellness and Alberta Health Services, working with the EHR Governance Committee, improve the oversight of electronic health record systems by: • maintaining an integrated delivery plan that aligns with the strategic plan • improving systems to regularly report costs, timelines, progress and outcomes	**Accepted**. Reporting of project costs, timelines, progress and outcomes is currently provided to various levels within the Department. During the current fiscal year, the Department plans to enhance reporting to appropriate groups.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
7. Project management We recommend the Department of Health and Wellness execute publicly funded electronic health record projects and initiatives in accordance with established project management standards.	**Accepted in Principle**. The Department and the majority of its stakeholders currently follow established project management standards such as the Project Management Book of Knowledge (PMBOK) while executing publicly funded electronic health record projects. However, under the current governance model used to develop the electronic health record, there may be health system stakeholders outside of the Department's direct control who manage their projects through alternative project management approaches. In these cases, the Department applies other controls documented in grant agreements such as quarterly financial and project status reporting to obtain the desired outcomes. In addition, the Department's approach includes the use of several documents that contain business case elements and the justification for undertaking different projects. Initiative project charters and delivery plans are guides to assist project teams in delivering the correct IT solutions that provides business and clinical value to the overall EHR initiative. The Department also actively manages project costs by comparing budget to actual costs in bi-weekly reports that are regularly reviewed by project teams, Department Executive Team, and various multi-stakeholder governance committees (Health Information Executive Committee, EHR Sponsors and Project Steering Committees).
8. Monitoring the EHR We recommend the Department of Health and Wellness proactively monitor access to the portal (Netcare), through which the electronic health records can be viewed, reviewing it for potential attacks, breaches and system anomalies.	**Accepted**. The Department, in cooperation with Alberta Health Services (AHS) and other stakeholder custodian representatives, will be implementing the Provincial Logging and Audit Standard during the current fiscal year. In addition, AHS is currently developing five audit reports identified in the Logging and Audit Standard.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Food Safety – Follow-up	
9. Food establishment inspection programs – recommendation repeated We again recommend that Alberta Health Services improve their food establishment inspection programs. Specifically, AHS should: • inspect food establishments following generally accepted inspection frequency standards • ensure that inspections are consistently administered and documented • follow up critical violations promptly to ensure that food establishments have corrected those violations	**Accepted**. The reorganization of Alberta Health Services (AHS) Environmental Public Health Function into a single provincial program has created a unifying structure to generate positive movement. AHS has committed to developing a three year plan for an effective and efficient service delivery model.
10. Food safety information systems – recommendation repeated We again recommend that Alberta Health Services, supported by the Department of Health and Wellness, improve their automated food safety information systems. This includes: • enhancing system management, security, and access control • ensuring data consistency • ensuring that service level agreements are in place • developing reporting capacity for management, and accountability purposes	**Accepted**. An environmental public health information system would serve the needs of all environmental public health programs, including food safety. As a result, Alberta Health and Wellness has hired a third party consultant to determine accountability and information system requirements. A business case will be developed so the request can be prioritized along with other needs.
11. Integrated food safety planning and activities – recommendation repeated We again recommend that the Departments of Health and Wellness and Agriculture and Rural Development, in cooperation with Alberta Health Services and federal regulators, improve planning and coordination of food safety activities and initiatives. This includes: • improving day-to-day coordination of provincial food safety activities • improving cooperation and working relationships among provincial and federal partners such as the First Nations and Inuit Health Branch and the Canadian Food Inspection Agency	**Accepted**. An inter-agency oversight committee of the Deputy Ministers of Alberta Agriculture and Rural Development, Alberta Health and Wellness and the CEO of Alberta Health Services has been developed to champion an action plan focused on integrated food safety planning and activities. In addition, members of the Canada-Alberta Partners in Food Safety (CAPiFS) are developing an Alberta Food Safety Strategy.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
12. Eliminating gaps in food safety inspection coverage – recommendation repeated We again recommend that Alberta Health Services and the Departments of Health and Wellness and Agriculture and Rural Development, working with federal regulators, eliminate the existing gaps in food safety coverage in Alberta. Gaps include: • mobile butchers • consistently administering the *Meat Facility Standard* • coordinating inspections in the "non-federally registered" sector	**Accepted in Principle**. Mobile butchers are now under the oversight of and inspection by Agriculture and Rural Development which reduces inspection overlap within the mobile butcher facilities. The two departments continue to work closely together to ensure all eligible facilities are transferred and that no inspection gaps exist. Coordination of inspections in the "non-federally registered" sector is national and inspections may not be able to be coordinated until certain issues and responsibility are clearly defined at the national level.
13. Accountability – recommendation repeated We again recommend that the Departments of Health and Wellness and Agriculture and Rural Development improve reporting on food safety in Alberta.	**Accepted**. Agriculture and Rural Development continues to review and improve its food safety measures in an effort to align them with the measurable outcomes of the National Strategy for Safe Food as well as align them with Alberta Health and Wellness (AHW) initiatives. The transition to Alberta Health Services as a single health services delivery organization will facilitate better reporting as reporting requirements are defined.
Commercial Vehicle Safety	
14. Progressive sanctions We recommend that the Department of Transportation strengthen enforcement processes relating to, or arising from, roadside inspections.	**Accepted**. For the 2009-10 fiscal year, enforcement letters to carriers have been revised indicating clear expectations regarding due dates and consequences of non-compliance. Further, the Department is in the process of reviewing the following procedural shifts: (i) roadside inspection follow-up procedures, (ii) serious incident and public complaint handling policy, and (iii) the effectiveness of publishing carrier and Commercial Vehicle Safety Alliance inspection data on the Department's internet site.
15. Analysis and measurement We recommend that the Department of Transportation further develop and improve its data analysis practices for use in program delivery and performance measure reporting.	**Accepted**. For the 2009-10 fiscal year, the Department is reviewing the programs associated with Commercial Vehicle Safety and is developing a plan to further improve its data analysis practices for use in performance reporting. The Department anticipates the plan will be completed in 2010-11.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Government of Alberta and Ministry Annual Reports	
16. Analysis and review of performance measures We recommend the Ministry of Treasury Board work with Ministries to improve processes at the ministry level relating to analysis and review of performance measures. We also recommend the Ministry of Treasury Board establish a protocol with ministries whereby it is informed of proposed changes by ministries to performance measures methodology in a timely manner.	**Accepted**. The Ministry of Treasury Board is working with ministries to implement practices and procedures for *Measuring Up 2009-10* to improve the analysis and review of performance measures and to keep Treasury Board informed of proposed changes to performance measures methodology in a timely manner.
Advanced Education and Technology	
17. Grant accountability We recommend that the Department of Advanced Education and Technology improve its processes for managing conditional grants.	**Accepted**. The Department has standardized the grant process for the Enrolment Planning Envelope and will be revising some of the guidelines and accountability processes for grants from the Access to Future Fund before the end of 2009-10 fiscal year.
18. University of Calgary – Improving executive compensation processes We recommend that the University of Calgary Board of Governors establish systems to guide all aspects of compensation, including timely negotiation and completion of employment contracts for senior executive positions.	**Accepted**. University management is establishing clear and prescribed processes relating to compensation decisions for its senior executive and internal communication requirements related to hiring. The work of management will be overseen by the Board of Governors' recently established Human Resources & Governance Committee and the process is expected to be completed by December 2009.
19. University of Calgary – Improve PeopleSoft security – recommendation repeated We again recommend that the University of Calgary improve controls in its PeopleSoft system by: • finalizing and implementing the security policy and security design document • ensuring that user access privileges are consistent with the user's business requirements and the security policy	**Accepted**. Action plans are in progress. Security Design documents will be finalized and presented to IT Senior Management for review by December 2009. A Segregation of Duties Matrix and Privileged User Audit are targeted to be complete by March 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Energy	
20. Bitumen valuation methodology implementation	
We recommend that the Department of Energy improve its monitoring of the implementation of the bitumen valuation methodology.	**Accepted**. The Department documented the operational processes to monitor the bitumen valuation methodology used by the oil sands operators when determining royalties due to the Province. This was completed in September 2009.
21. Sustaining the continued accuracy of the revenue forecast system	
We recommend that the Department of Energy improve the controls and documentation supporting the revenue forecast model to help ensure the continued accuracy of the forecast system.	**Accepted**. The Department is now including documentation about the processes for making changes to the forecast model, support for the assumptions made within the models, and the logic and reasoning around the assumptions. In addition, to track changes and improve controls, the models are being moved on to SharePoint. These changes will be complete by December 2009.
22. Corporate effective royalty rate	
We recommend that the Department of Energy monitor the impact of the change in the provincial average corporate effective royalty rate on the Department's accounts receivable and incentive programs.	**Accepted**. The impact is being monitored and will be reported to the Department's Executive Committee on a quarterly basis starting the second quarter of the current fiscal year.
Environment	
23. Financial security for land disturbances – recommendation repeated	
We again recommend that the Department of Environment implement a system for obtaining sufficient financial security to ensure parties complete the conservation and reclamation activity that the Department regulates.	**Accepted**. Restructuring the reclamation security policy will ensure that Albertans are not financially responsible for the cleanup of affected lands. The Department is actively engaged with industry to develop a system that will see better reclamation security coverage. The new policy is expected to be in place in 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance and Enterprise	
24. Alberta Treasury Branches – Organization-wide information technology oversight We recommend that Alberta Treasury Branches improve the efficiency and effectiveness of its computing environment by developing a process to ensure all ATB Business Units adopt and follow organization-wide Information Technology governance and control framework.	**Accepted**. Alberta Treasury Branches (ATB) has prioritized its work plan into a three-phase approach which includes implementing, testing and reviewing their IT control framework. It is expected the final phase will commence roll out to ATB business units by May 2010.
25. Alberta Treasury Branches – Process for confirming compliance with Alberta Finance and Enterprise guidelines – recommendation repeated We again recommend that Alberta Treasury Branches: • improve the processes for confirming its compliance with Alberta Finance and Enterprise's Outsourcing of Business Activities, Functions and Processes Guideline • review and assess the appropriateness of the ATB staff responsible for ensuring compliance with Alberta Finance and Enterprise guidelines	**Accepted**. Alberta Treasury Branches is on target for a December 2009 development of a materiality assessment of outsourcing relationships that need to comply with Alberta Finance and Enterprise "Outsourcing of Business Activities, Functions and Processes Guidelines".
26. Alberta Investment Management Corporation (AIMCo) – Valuation of private equity and hedge fund investments We recommend that AIMCo establish a process to estimate current market values for private and hedge fund investments.	**Accepted**. AIMCo has established a Valuations Committee with the responsibility of determining the fair value of securities and assets.
Health and Wellness	
27. Alberta Health Services – Executive termination payments We recommend that Alberta Health Services establish controls for executive termination payments by: • developing and implementing appropriate approval and oversight processes • clearly defining termination and post-termination benefits in employment contracts • including future termination benefits in the salary and benefit disclosure in the financial statements	**Accepted**. Alberta Health Services (AHS) has implemented an approval and oversight process to ensure compliance with severance guidelines. AHS has also developed a standard employment contract that clearly defines termination and post-termination benefits. **Under Review**. The recommendation on termination benefits is under review pursuant to the government's response to numbered recommendation No. 2, "Disclosure of Termination Benefits Paid".

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
28. Alberta Health Services – Supplementary retirement plans	
We recommend that Alberta Health Services review existing supplementary retirement plans and: • understand the terms and conditions for each plan • develop clear and consistent policies and processes for administering them • obtain actuarial valuations, using appropriate and consistent assumptions, for the plans • understand the impact of funding options • ensure sufficient funds are available to meet plan obligations	**Accepted**. Alberta Health Services has retained the services of a firm to review supplementary retirement plans and to provide options for a single new plan that will ensure a consistent retirement benefit plan across the province. During the 2009-10 fiscal year, policies and funding arrangements will be put in place prior to the introduction of a new plan.
29. Alberta Health Services – Information technology control policies and processes	
We recommend that Alberta Health Services: • develop an information technology control framework, including appropriate risk management processes and controls, for the management of its information technology resources • monitor compliance with security policies, implementing effective change management processes and improving passwords controls	**Accepted**. Alberta Health Services (AHS) has hired a third party expert to perform an overall evaluation of the level of current and planned network and information security capabilities. AHS will perform a risk assessment in the 2010-11 fiscal year to determine an appropriate risk mitigation strategy.
30. Alberta Health Services – Budget approval	
We recommend that Alberta Health Services prepare an annual business and financial plan and that this plan be approved by its Board.	**Accepted**. Financial and business plans have been prepared and approved by the Alberta Health Services Board for the 2009-10 fiscal year.
31. Alberta Health Services – Capital project funding and approval	
We recommend that Alberta Health Services: • obtain appropriate approval from the Minister of Health and Wellness and secure adequate capital funding before starting capital projects that are internally funded or debt financed • ensure budgets include the estimated future operating costs associated with new capital	**Accepted**. Alberta Health Services (AHS) is currently developing global, consistent processes and controls that will govern all AHS capital expenditures. It is anticipated that these processes will be initiated in the 2011-12 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
32. Alberta Health Services – Capital project monitoring systems	
We recommend that Alberta Health Services improve the efficiency and effectiveness of its financial capital project monitoring and reporting systems and processes by: • implementing common systems, policies and procedures to track and monitor key financial information • providing relevant, timely and accurate information to Executive Management and the Audit and Finance Committee	**Accepted**. Alberta Health Services (AHS) is investigating a Portfolio Project Management System which would centralize and automate processes related to the development and construction of infrastructure assets. AHS is also developing a single general ledger which will include an automated procurement module. It is anticipated that these activities will be completed in the 2010-11 fiscal year.
Justice and Attorney General	
33. Motor vehicle accident program – Clarifying collection steps	
We recommend that the Department of Justice clarify the collection steps for judgments assigned to it under the Motor Vehicle Accident program.	**Accepted**. The collection file and notes will include documentation of all collection steps taken. A checklist will be used to aid in this process and attached to the file for audit purposes. The Department is reviewing its current write-off policy with the intention of accelerating the closure of judgment files where collection is unlikely. This review is expected to be completed by December 2009.
Municipal Affairs	
34. Disaster Recovery Program	
We recommend that the Department of Municipal Affairs improve its management of the disaster recovery program by: • setting timelines for key steps that must be performed before federal government funding can be received • periodically assessing and adjusting costs and recovery estimates based on current information	**Accepted**. To meet federal government deadlines, the Department revised the application process so a letter is sent to the federal government for all Alberta disaster recovery programs that may qualify for federal disaster assistance. The cost and recovery estimates of funds requested from the Disaster Recovery Program are being assessed to ensure they are reasonable, and if required, they will be adjusted by March 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Service Alberta	
35. Information technology resumption plan We recommend that the Ministry of Service Alberta complete and test an information technology resumption plan.	**Accepted**. The Department will develop and test all key areas of the technical environment on a rotating schedule starting in December 2009.

RESPONSE TO THE AUDITOR GENERAL – APRIL 2009

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – April 2009* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
1. Improve processes for investing in research projects We recommend the University of Lethbridge: • strengthen processes for assessing risks and benefits relating to prospective business relationships • strengthen processes to oversee and monitor financial and other risks throughout the life of business relationships • periodically report to the Board of Governors key information on financial and other risks in research management	**Accepted**. For any future business relationships, university management will provide the Board of Governors with a detailed business case. Management will provide regular progress reports to the Board, along with any new developments.
Sustainable Resource Development	
2. Performance information We again recommend that the Department of Sustainable Resource Development publicly report relevant and sufficient reforestation performance information to confirm the effectiveness of its regulatory systems.	**Accepted**. Through the annual reporting and business planning process, the Department has initiated several steps to fully address this recommendation by September 2011.